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## SOLARTECH INTERNATIONAL HOLDINGS LIMITED

星凱控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1166)

### 2015/2016 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the “**Directors**” or “**Board**”) of Solartech International Holdings Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 30 June 2016 together with last year’s comparative figures, as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

|   | Notes     | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---|-----------|------------------|------------------|
| Turnover  | 3 and 4   | 740,979          | 782,197          |
| Cost of sales   |           | (691,306)        | (746,471)        |
| Gross profit  |           | 49,673           | 35,726           |
| Interest income   |           | 2,704            | 1,917            |
| Other income and gains  |           | 3,482            | 6,847            |
| General and administrative expenses   |           | (134,717)        | (109,582)        |
| Selling and distribution expenses   |           | (15,241)         | (22,520)         |
| Finance costs   | 6         | (11,459)         | (11,001)         |
| Change in fair value of derivative financial instruments  |           | (5,791)          | (7,959)          |
| Change in fair value of investment properties, net  | 10        | 48,008           | 20,037           |
| Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net |           | (8,191)          | (10,671)         |
| Change in fair value of profit guarantee  |           | (90)             | –                |
| Impairment loss for doubtful debts, net   |           | (3,336)          | (24,298)         |
| Impairment loss on intangible assets and exploration and evaluation assets                              | 12 and 13 | (193,650)        | (198,987)        |
| Gain on bargain purchase of a subsidiary  |           | –                | 278              |
| Share of results of associates  |           | (18)             | –                |
| Share of results of joint ventures  |           | (3,394)          | (46,091)         |
| Loss before taxation  | 5         | (272,020)        | (366,304)        |
| Taxation  | 7         | (4,981)          | (3,095)          |
| <b>Loss for the year</b>  |           | <b>(277,001)</b> | <b>(369,399)</b> |

\* For identification purposes only

|  | <i>Note</i> | <b>2016</b><br><b>HK\$'000</b> | 2015<br>HK\$'000 |
|--|-------------|--------------------------------|------------------|
| <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 |             | <b>6,181</b>                   | 58,122           |
| <i>Items that may be reclassified subsequently to profit or loss</i>   |             |                                |                  |
| Exchange differences on translation of foreign operations  |             | <b>4,544</b>                   | (10,158)         |
| Other comprehensive income for the year  |             | <b>10,725</b>                  | 47,964           |
| <b>Total comprehensive income for the year</b>   |             | <b>(266,276)</b>               | <b>(321,435)</b> |
| Loss attributable to:  |             |                                |                  |
| Owners of the Company  |             | <b>(274,945)</b>               | (370,292)        |
| Non-controlling interests  |             | <b>(2,056)</b>                 | 893              |
|  |             | <b>(277,001)</b>               | (369,399)        |
| Total comprehensive income attributable to:  |             |                                |                  |
| Owners of the Company  |             | <b>(263,528)</b>               | (322,338)        |
| Non-controlling interests  |             | <b>(2,748)</b>                 | 903              |
|  |             | <b>(266,276)</b>               | <b>(321,435)</b> |
| (Restated)   |             |                                |                  |
| Loss per share:  | 9           |                                |                  |
| – Basic and diluted (HK\$)   |             | <b>(0.16)</b>                  | (0.68)           |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2016**

|   | <i>Notes</i> | <b>2016</b><br><b>HK\$'000</b> | 2015<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| <b>Non-current assets</b>   |              |                                |                         |
| Property, plant and equipment                                     |              | <b>124,540</b>                 | 146,563                 |
| Investment properties   | <i>10</i>    | <b>348,856</b>                 | 313,828                 |
| Prepaid lease payments for land                                   | <i>11</i>    | <b>53,701</b>                  | 60,308                  |
| Intangible assets   | <i>12</i>    | <b>539,948</b>                 | 675,668                 |
| Prepayments for acquisition of property,<br>plant and equipment   |              | <b>20,075</b>                  | –                       |
| Other assets  |              | <b>13,700</b>                  | –                       |
| Interests in associates   | <i>14</i>    | <b>110,472</b>                 | –                       |
| Interests in joint ventures                                       | <i>15</i>    | <b>35,346</b>                  | 38,644                  |
|   |              | <hr/>                          | <hr/>                   |
| Total non-current assets  |              | <b>1,246,638</b>               | 1,235,011               |
| <b>Current assets</b>   |              |                                |                         |
| Inventories   |              | <b>58,298</b>                  | 45,089                  |
| Debtors, other loans and receivables, deposits and<br>prepayments | <i>16</i>    | <b>193,781</b>                 | 271,108                 |
| Bills receivable  |              | <b>9,579</b>                   | 6,937                   |
| Financial assets at fair value through profit or loss             |              | <b>79,577</b>                  | 48,032                  |
| Prepaid lease payments for land                                   | <i>11</i>    | <b>1,758</b>                   | 2,040                   |
| Derivative financial assets                                       |              | –                              | 11                      |
| Pledged deposits and bank balances                                |              | –                              | 362                     |
| Bank balances held on behalf of brokerage clients                 |              | <b>17,995</b>                  | –                       |
| Bank balances and cash  |              | <b>181,247</b>                 | 162,463                 |
|   |              | <hr/>                          | <hr/>                   |
| Total current assets  |              | <b>542,235</b>                 | 536,042                 |
| <b>Current liabilities</b>  |              |                                |                         |
| Creditors, other advances and accrued charges                     | <i>17</i>    | <b>93,703</b>                  | 100,855                 |
| Taxation  |              | <b>470</b>                     | 316                     |
| Borrowings  |              | <b>116,288</b>                 | 67,747                  |
| Derivative financial liabilities                                  |              | <b>435</b>                     | 153                     |
|   |              | <hr/>                          | <hr/>                   |
| Total current liabilities   |              | <b>210,896</b>                 | 169,071                 |
|   |              | <hr/>                          | <hr/>                   |
| <b>Net current assets</b>   |              | <b>331,339</b>                 | 366,971                 |
|   |              | <hr/>                          | <hr/>                   |
| <b>Total assets less current liabilities</b>                      |              | <b>1,577,977</b>               | 1,601,982               |
|   |              | <hr/>                          | <hr/>                   |

|   | <i>Note</i> | <b>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| <b>Non-current liabilities</b>                      |             |                                |                         |
| Promissory notes                                    | 18          | <b>96,900</b>                  | –                       |
| Deferred tax liabilities                            |             | <b>58,087</b>                  | 57,439                  |
|   |             | <hr/>                          | <hr/>                   |
| Total non-current liabilities                       |             | <b>154,987</b>                 | 57,439                  |
|   |             | <hr/>                          | <hr/>                   |
| <b>Total net assets</b>                             |             | <b>1,422,990</b>               | 1,544,543               |
|   |             | <hr/>                          | <hr/>                   |
| <b>EQUITY</b>                                       |             |                                |                         |
| <b>Capital and reserves</b>                         |             |                                |                         |
| Share capital                                       |             | <b>19,594</b>                  | 11,339                  |
| Reserves  |             | <b>1,394,450</b>               | 1,521,510               |
|   |             | <hr/>                          | <hr/>                   |
| <b>Equity attributable to owners of the Company</b> |             | <b>1,414,044</b>               | 1,532,849               |
|   |             | <hr/>                          | <hr/>                   |
| <b>Non-controlling interests</b>                    |             | <b>8,946</b>                   | 11,694                  |
|   |             | <hr/>                          | <hr/>                   |
| <b>Total equity</b>                                 |             | <b>1,422,990</b>               | 1,544,543               |
|   |             | <hr/>                          | <hr/>                   |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2016**

|  | Share capital<br>HK\$'000 | Share premium<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Statutory reserve fund<br>HK\$'000 | Property revaluation reserve<br>HK\$'000 | Accumulated losses<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total equity<br>HK\$'000 |
|--|---------------------------|---------------------------|---------------------------------|------------------------------|------------------------------------|--|--------------------------------|-------------------|---------------------------------------|--------------------------|
| At 1 July 2014                                     | 18,899                    | 1,394,932                 | 612,360                         | (10,246)                     | 4,866                              | -  | (349,533)                      | 1,671,278         | 2,331                                 | 1,673,609                |
| Loss for the year                                  | -                         | -                         | -                               | -                            | -                                  | -  | (370,292)                      | (370,292)         | 893                                   | (369,399)                |
| Other comprehensive income                         | -                         | -                         | -                               | (10,168)                     | -                                  | 58,122                                   | -                              | 47,954            | 10                                    | 47,964                   |
| Total comprehensive income for the year            | -                         | -                         | -                               | (10,168)                     | -                                  | 58,122                                   | (370,292)                      | (322,338)         | 903                                   | (321,435)                |
| Deemed acquisition of a subsidiary                 | -                         | -                         | -                               | -                            | -                                  | -  | -                              | -                 | 10,107                                | 10,107                   |
| Acquisition of additional interest in a subsidiary | -                         | -                         | -                               | -                            | -                                  | -  | (189)                          | (189)             | (1,647)                               | (1,836)                  |
| Capital reorganisation during the year             | (17,009)                  | -                         | -                               | -                            | -                                  | -  | 17,009                         | -                 | -                                     | -                        |
| Shares issued under open offer                     | 9,449                     | 174,649                   | -                               | -                            | -                                  | -  | -                              | 184,098           | -                                     | 184,098                  |
| At 30 June 2015                                    | 11,339                    | 1,569,581                 | 612,360                         | (20,414)                     | 4,866                              | 58,122                                   | (703,005)                      | 1,532,849         | 11,694                                | 1,544,543                |
|  | Share capital<br>HK\$'000 | Share premium<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Statutory reserve fund<br>HK\$'000 | Property revaluation reserve<br>HK\$'000 | Accumulated losses<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total equity<br>HK\$'000 |
| At 1 July 2015                                     | 11,339                    | 1,569,581                 | 612,360                         | (20,414)                     | 4,866                              | 58,122                                   | (703,005)                      | 1,532,849         | 11,694                                | 1,544,543                |
| Loss for the year                                  | -                         | -                         | -                               | -                            | -                                  | -  | (274,945)                      | (274,945)         | (2,056)                               | (277,001)                |
| Other comprehensive income                         | -                         | -                         | -                               | 5,236                        | -                                  | 6,181                                    | -                              | 11,417            | (692)                                 | 10,725                   |
| Total comprehensive income for the year            | -                         | -                         | -                               | 5,236                        | -                                  | 6,181                                    | (274,945)                      | (263,528)         | (2,748)                               | (266,276)                |
| Placements of new shares                           | 8,255                     | 136,468                   | -                               | -                            | -                                  | -  | -                              | 144,723           | -                                     | 144,723                  |
| At 30 June 2016                                    | 19,594                    | 1,706,049                 | 612,360                         | (15,178)                     | 4,866                              | 64,303                                   | (977,950)                      | 1,414,044         | 8,946                                 | 1,422,990                |

*Notes:*

The contributed surplus represented (i) the net balance after setting off accumulated losses of the Company from reduced share capital and cancelled share premium of the Company where applicable in accordance with the Company's capital reorganisations in September 2002 and November 2012; and (ii) the credit arising from the capital reduction in accordance with the Company's capital reorganisation in July 2009.

The exchange reserve comprised all foreign exchange differences arising from the translation of the financial statements of foreign operations, hedges of net investment in foreign operations and share of reserves of associate.

The statutory reserve fund of the Group represents reserve required by the relevant People's Republic of China (the "PRC") laws applicable to the Company's PRC subsidiaries and share of statutory reserve fund of joint ventures.

The property revaluation reserve represents the gains arising on the revaluation of properties (other than investment properties) on the date of transfer from property, plant and equipment and prepaid lease payments for land to investment properties.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 1. ORGANISATION AND OPERATIONS

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in “Change of address of head office and principal place of business in Hong Kong” in this announcement.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of cables and wires, manufacture and trading of copper rods, trading of metallurgical grade bauxite, investment properties and holding of mining right and exploration and evaluation assets. Its associates are engaged in advertising and media services, branding and marketing services, corporate image and strategy services and innovating strategy services in the People’s Republic of China (the “PRC”). Its joint ventures are engaged in holding of mining permits.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the functional currency of the Company.

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

#### **New/revised HKFRSs that have been issued but are not yet effective and not early adopted**

|  |  |
|--|--|
| HKFRSs (Amendments)                          | Annual Improvement 2012-2014 Cycle <sup>1</sup>  |
| Amendments to HKAS 1                         | Disclosure Initiative <sup>1</sup>   |
| Amendments to HKAS 7                         | Disclosure Initiative <sup>2</sup>   |
| Amendments to HKAS 12                        | Recognition of Deferred Tax Assets for Unrealised Losses <sup>2</sup>                              |
| HKAS 16 and HKAS 38                          | Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>                  |
| Amendments to HKAS 27                        | Equity Method in Separate Financial Statements <sup>1</sup>  |
| HKFRS 9 (2014)                               | Financial Instruments <sup>3</sup>   |
| Amendments to HKFRS 10 and HKAS 28           | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup> |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception <sup>1</sup>                             |
| Amendments to HKFRS 15                       | Clarifications to HKFRS 15 Revenue from Contracts with Customers <sup>3</sup>                      |
| HKFRS 15                                     | Revenue from Contracts with Customers <sup>3</sup>   |
| HKFRS 16                                     | Leases <sup>4</sup>  |

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2016
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2017
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2018
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2019
- <sup>5</sup> On 6 January 2015, the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued “Effective Date of Amendments to HKFRS 10 and HKAS 28”, following the International Accounting Standards Board’s equivalent amendments. This update defers/removes the effective date of the amendments in Sale or Contribution of Assets between an Investor and its Associate or Joint Venture that the HKICPA issued on 7 October 2014. Early application of these amendments continues to be permitted.

#### ***Amendments to HKAS 1 – Disclosure Initiative***

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity’s share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

#### ***Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

#### ***Amendments to HKAS 27 – Equity Method in Separate Financial Statements***

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

#### ***HKFRS 9 (2014) – Financial Instruments***

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

***Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

***Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception***

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at FVTPL should provide the disclosures related to investment entities as required by HKFRS 12.

***HKFRS 15 – Revenue from Contracts with Customers***

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.



## ***HKFRS 16 – Leases***

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is in the process of making an assessment of the potential impact of these new pronouncements. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

### **3. TURNOVER**

Turnover, which is also the revenue, represents the amounts received and receivable for goods sold and provision of services to outside customers, net of returns and discounts and sales related taxes during the year.

### **4. SEGMENTAL INFORMATION**

#### **(a) Reportable segments**

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

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

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

In prior years, the Group acquired its mining operation located in the State of Mongolia and became engaged in the mining business. However, no active operation took place since the date of acquisition and therefore the directors of the Company consider that the mining operation did not constitute a business segment as at 30 June 2015 and 2016 and for the years then ended for the purpose of segment reporting.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is measure of adjusted profit/loss before taxation. The adjusted profit/loss before taxation is measured consistently with the Group's profit/loss before taxation except that interest income as well as head office and corporate expenses are excluded from such measurement.

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

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

***For the year ended 30 June 2016***

|  | Cables<br>and wires<br>HK\$'000 | Copper<br>rods<br>HK\$'000 | Metallurgical<br>grade<br>bauxite<br>HK\$'000 | Investment<br>properties<br>HK\$'000 | Others<br>HK\$'000 | Total<br>HK\$'000 | Elimination<br>HK\$'000 | Total<br>HK\$'000 |
|--|---------------------------------|----------------------------|---|--------------------------------------|--------------------|-------------------|-------------------------|-------------------|
| Revenue from external customers  | 175,918                         | 402,665                    | 140,761                                       | 19,500                               | 2,135              | 740,979           | -                       | 740,979           |
| Inter-segment revenue  | -                               | 29,222                     | -   | -                                    | 23,679             | 52,901            | (52,901)                | -                 |
| Reportable segment revenue   | 175,918                         | 431,887                    | 140,761                                       | 19,500                               | 25,814             | 793,880           | (52,901)                | 740,979           |
| Reportable segment profit/(loss)   | 6,132                           | (43,435)                   | 1,176   | 23,625                               | (40,948)           | (53,450)          | 2,247                   | (51,203)          |
| Finance costs  | (3,057)                         | (4,424)                    | (304)   | -                                    | (284)              | (8,069)           | 496                     | (7,573)           |
| Change in fair value of derivative<br>financial instruments  | -                               | (4,466)                    | -   | -                                    | (1,325)            | (5,791)           | -                       | (5,791)           |
| Change in fair value and loss on<br>disposal of financial assets at<br>fair value through profit or loss,<br>net | -                               | -                          | -   | -                                    | (8,191)            | (8,191)           | -                       | (8,191)           |
| Change in fair value of investment<br>properties, net  | 34,375                          | -                          | -   | 13,633                               | -                  | 48,008            | -                       | 48,008            |
| Change in fair value of profit<br>guarantee  | -                               | -                          | -   | -                                    | (90)               | (90)              | -                       | (90)              |
| Reversal of impairment loss/<br>(impairment loss) for doubtful<br>debts, net                                     | 539                             | (3,875)                    | -   | -                                    | -                  | (3,336)           | -                       | (3,336)           |
| Depreciation of property,<br>plant and equipment   |                                 |                            |   |                                      |                    |                   |                         |                   |
| - allocated  | (8,265)                         | (6,280)                    | (114)   | (3,990)                              | (129)              | (18,778)          | -                       | (18,778)          |
| - unallocated  |                                 |                            |   |                                      |                    |                   |                         | (248)             |
|  |                                 |                            |   |                                      |                    |                   |                         | (19,026)          |
| Taxation   | 457                             | 369                        | (625)   | (5,182)                              | -                  | (4,981)           | -                       | (4,981)           |

**For the year ended 30 June 2015**

|  | Cables<br>and wires<br>HK\$'000 | Copper<br>rods<br>HK\$'000 | Metallurgical<br>grade<br>bauxite<br>HK\$'000 | Investment<br>properties<br>HK\$'000 | Others<br>HK\$'000 | Total<br>HK\$'000 | Elimination<br>HK\$'000 | Total<br>HK\$'000 |
|--|---------------------------------|----------------------------|---|--------------------------------------|--------------------|-------------------|-------------------------|-------------------|
| Revenue from external customers  | 212,734                         | 317,903                    | 212,123                                       | 13,468                               | 25,969             | 782,197           | -                       | 782,197           |
| Inter-segment revenue  | -                               | 32,950                     | -   | -                                    | 28,559             | 61,509            | (61,509)                | -                 |
| Reportable segment revenue   | 212,734                         | 350,853                    | 212,123                                       | 13,468                               | 54,528             | 843,706           | (61,509)                | 782,197           |
| Reportable segment (loss)/profit   | (44,533)                        | (46,128)                   | 8,429   | 24,941                               | (27,328)           | (84,619)          | -                       | (84,619)          |
| Finance costs  | (3,552)                         | (5,483)                    | (3,439)                                       | -                                    | (305)              | (12,779)          | 1,778                   | (11,001)          |
| Change in fair value of derivative<br>financial instruments  | -                               | (983)                      | -   | -                                    | (6,976)            | (7,959)           | -                       | (7,959)           |
| Change in fair value and loss on<br>disposal of financial assets at<br>fair value through profit or loss,<br>net | -                               | -                          | -   | -                                    | (10,671)           | (10,671)          | -                       | (10,671)          |
| Change in fair value of investment<br>properties, net  | -                               | -                          | -   | 20,037                               | -                  | 20,037            | -                       | 20,037            |
| Impairment loss for doubtful debts,<br>net   | (549)                           | (23,749)                   | -   | -                                    | -                  | (24,298)          | -                       | (24,298)          |
| Depreciation of property,<br>plant and equipment<br>- allocated  | (9,793)                         | (6,471)                    | (253)   | (3,814)                              | (4,475)            | (24,806)          | -                       | (24,806)          |
| - unallocated  |                                 |                            |   |                                      |                    |                   |                         | (332)             |
|  |                                 |                            |   |                                      |                    |                   |                         | (25,138)          |
| Taxation   | 216                             | 1,143                      | (803)   | (3,651)                              | -                  | (3,095)           | -                       | (3,095)           |

**As at 30 June 2016**

|                                 | Cables<br>and wires<br>HK\$'000 | Copper<br>rods<br>HK\$'000 | Metallurgical<br>grade<br>Bauxite<br>HK\$'000 | Investment<br>properties<br>HK\$'000 | Others<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------|---------------------------------|----------------------------|---|--------------------------------------|--------------------|-------------------|
| Reportable segment assets       | 231,270                         | 218,626                    | 76,325  | 354,905                              | 315,075            | 1,196,201         |
| Additions to non-current assets | 7,201                           | 121                        | -   | 215                                  | 13                 | 7,550             |
| Reportable segment liabilities  | 75,355                          | 88,047                     | 18,031  | 6,466                                | 21,120             | 209,019           |

**As at 30 June 2015**

|                                 | Cables<br>and wires<br>HK\$'000 | Copper<br>rods<br>HK\$'000 | Metallurgical<br>grade<br>Bauxite<br>HK\$'000 | Investment<br>properties<br>HK\$'000 | Others<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------|---------------------------------|----------------------------|---|--------------------------------------|--------------------|-------------------|
| Reportable segment assets       | 184,632                         | 207,141                    | 63,302  | 395,246                              | 100,779            | 951,100           |
| Additions to non-current assets | 3,878                           | 7,404                      | 154   | 19,333                               | 2                  | 30,771            |
| Reportable segment liabilities  | 82,732                          | 36,448                     | 1,760   | 40,851                               | 6,075              | 167,866           |

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

|   | For the year ended 30 June |                  |
|---|----------------------------|------------------|
|   | 2016                       | 2015             |
|   | HK\$'000                   | HK\$'000         |
| <b>Loss before taxation</b>   |                            |                  |
| Reportable segment loss   | (51,203)                   | (84,619)         |
| Impairment loss on intangible assets and exploration<br>and evaluation assets | (193,650)                  | (198,987)        |
| Share of results of joint ventures  | (3,394)                    | (46,091)         |
| Unallocated finance costs   | (3,886)                    | –                |
| Unallocated corporate expenses  | (19,887)                   | (36,607)         |
|   | <u>(272,020)</u>           | <u>(366,304)</u> |
|   |                            |                  |
|   | <b>30 June</b>             | <b>30 June</b>   |
|   | <b>2016</b>                | <b>2015</b>      |
|   | <b>HK\$'000</b>            | <b>HK\$'000</b>  |
| <b>Assets</b>   |                            |                  |
| Reportable segment assets   | 1,196,201                  | 951,100          |
| Mining right  | 481,748                    | 675,668          |
| Interests in joint ventures   | 35,346                     | 38,644           |
| Unallocated bank balances and cash  | 63,441                     | 89,584           |
| Unallocated corporate assets  | 12,137                     | 16,057           |
|   | <u>1,788,873</u>           | <u>1,771,053</u> |
|   |                            |                  |
|   | <b>30 June</b>             | <b>30 June</b>   |
|   | <b>2016</b>                | <b>2015</b>      |
|   | <b>HK\$'000</b>            | <b>HK\$'000</b>  |
| <b>Liabilities</b>  |                            |                  |
| Reportable segment liabilities  | 209,019                    | 167,866          |
| Promissory notes  | 96,900                     | –                |
| Taxation  | 470                        | 316              |
| Deferred tax liabilities  | 58,087                     | 57,439           |
| Unallocated corporate liabilities   | 1,407                      | 889              |
|   | <u>365,883</u>             | <u>226,510</u>   |

(c) **Geographical information**

The Group's operations and non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets (the "Specified non-current assets") are located in Hong Kong, the PRC, Americas, Europe and other Asian regions.

The following table provides an analysis of the Group's sales and the Specified non-current assets by geographical areas from continuing operations, irrespective of the origin of the goods:

|                     | <b>For the year ended 30 June</b>   |                  |
|---------------------|-------------------------------------|------------------|
|                     | <b>2016</b>                         | <b>2015</b>      |
|                     | <b>HK\$'000</b>                     | <b>HK\$'000</b>  |
| PRC                 | <b>634,954</b>                      | 659,196          |
| Americas            | <b>38,262</b>                       | 44,661           |
| Europe              | <b>35,395</b>                       | 39,926           |
| Hong Kong           | <b>17,334</b>                       | 19,611           |
| Other Asian regions | <b>15,034</b>                       | 18,803           |
|                     | <b>740,979</b>                      | <b>782,197</b>   |
|                     |                                     |                  |
|                     | <b>Specified non-current assets</b> |                  |
|                     | <b>30 June</b>                      | <b>30 June</b>   |
|                     | <b>2016</b>                         | <b>2015</b>      |
|                     | <b>HK\$'000</b>                     | <b>HK\$'000</b>  |
| PRC                 | <b>560,283</b>                      | 277,659          |
| Hong Kong           | <b>139,038</b>                      | 242,463          |
| Mongolia            | <b>533,617</b>                      | 714,889          |
|                     | <b>1,232,938</b>                    | <b>1,235,011</b> |

The revenue information above is based on the location of customers.

(d) **Information about major customers**

During the year, no customer with whom the transactions exceed 10% of the Group's manufacture and trading of cables and wires segment, trading of metallurgical grade bauxite segment, and investment properties segment; whereas one customer contributed revenue of HK\$81,139,000 to the Group's manufacture and trading of copper rods segment.

During the prior year, no customer with whom the transactions exceed 10% of the Group's manufacture and trading of cables and wires segment, manufacture and trading of copper rods segment, and investment properties segment; whereas one customer contributed revenue of HK\$184,981,000 to the Group's trading of metallurgical grade bauxite segment.

## 5. LOSS BEFORE TAXATION

|  | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| It is arrived at after charging:   |                         |                         |
| Auditor's remuneration   | 1,567                   | 1,490                   |
| Depreciation of property, plant and equipment  | 19,026                  | 25,138                  |
| Cost of inventories ( <i>Note</i> )  | 691,306                 | 746,471                 |
| Provision made for inventories   | 888                     | 2,476                   |
| Charge of prepaid lease payments for land  | 1,886                   | 2,377                   |
| Operating lease rentals in respect of rented premises  | 5,946                   | 1,754                   |
| Loss on disposal of property, plant and equipment  | 1,640                   | 106                     |
| Exchange differences, net  | 30,834                  | 7,134                   |
| Wages, salaries and retirement benefit scheme contributions<br>including directors' remuneration | <u>39,516</u>           | <u>44,377</u>           |

*Note:*

Cost of inventories includes HK\$14,152,000 (2015: HK\$22,425,000) relating to staff costs, depreciation of property, plant and equipment and charge of prepaid lease payments for land, for which the amounts are also included in the respective total amounts disclosed separately above. Cost of inventories also includes provision made for inventories of HK\$888,000 (2015: HK\$2,476,000).

## 6. FINANCE COSTS

|   | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Interest on borrowings wholly repayable within five years | 7,573                   | 10,998                  |
| Imputed interest on promissory notes                      | 3,886                   | –                       |
| Interest on finance leases                                | –                       | 3                       |
|   | <u>11,459</u>           | <u>11,001</u>           |

## 7. TAXATION

|  | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Hong Kong profits tax:                           |                         |                         |
| Current year                                     | –                       | –                       |
| Taxation in other jurisdictions:                 |                         |                         |
| Current year                                     | 1,233                   | 1,034                   |
| Under/(over)-provision in respect of prior years | 371                     | (17)                    |
|  | <u>1,604</u>            | <u>1,017</u>            |
| Deferred taxation                                | <u>3,377</u>            | <u>2,078</u>            |
| Taxation for the year                            | <u>4,981</u>            | <u>3,095</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 years.

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.

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. The standard corporate income tax rate for enterprises in the PRC is 25%. Accordingly the applicable corporate income tax rate was 25% for the years ended 30 June 2015 and 2016.

## 8. DIVIDEND

The directors did not recommend the payment of any dividend for the years ended 30 June 2015 and 2016.

## 9. LOSS PER SHARE

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

### *Loss*

|  | <b>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Loss attributable to owners of the Company for the purpose of basic and diluted loss per share | <u>(274,945)</u>               | <u>(370,292)</u>        |

### *Number of shares*

|  | <b>2016</b>          | (Restated)<br>2015 |
|--|----------------------|--------------------|
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | <u>1,735,257,775</u> | <u>546,520,680</u> |

During the years ended 30 June 2015 and 2016, the Company did not have any dilutive potential ordinary shares.

The comparative figures for the basis loss per share for the year ended 30 June 2015 are restated to take into account the effect of the bonus element embedded in the placements of new shares during the year retrospectively as if they had taken place since the beginning of the respective comparative period.

## 10. INVESTMENT PROPERTIES

|  | <i>Note</i> | <b>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Fair value:                                      |             |                                |                         |
| At beginning of year                             |             | <b>313,828</b>                 | 135,941                 |
| Transferred from property, plant and equipment   |             | <b>7,190</b>                   | 130,250                 |
| Transferred from prepaid lease payments for land | <i>11</i>   | <b>1,035</b>                   | 27,519                  |
| Fair value gains, net                            |             | <b>48,008</b>                  | 20,037                  |
| Currency realignment                             |             | <b>(21,205)</b>                | 81                      |
|  |             | <u><b>348,856</b></u>          | <u>313,828</u>          |
| At end of year                                   |             | <b>348,856</b>                 | 313,828                 |

## 11. PREPAID LEASE PAYMENTS FOR LAND

|  | <i>Note</i> | <b>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Carrying amount:                           |             |                                |                         |
| At beginning of year                       |             | <b>62,348</b>                  | 92,169                  |
| Charged to the profit or loss for the year |             | <b>(1,886)</b>                 | (2,377)                 |
| Transferred to investment properties       | <i>10</i>   | <b>(1,035)</b>                 | (27,519)                |
| Currency realignment                       |             | <b>(3,968)</b>                 | 75                      |
|  |             | <u><b>55,459</b></u>           | <u>62,348</u>           |
| At end of year                             |             | <b>55,459</b>                  | 62,348                  |

The Group's carrying amount of the prepaid lease payments for land is analysed as follows:

|                                      | <b>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|--------------------------------------|--------------------------------|-------------------------|
| Leasehold land situated in the PRC   | <b>55,161</b>                  | 60,980                  |
| Leasehold land situated in Hong Kong | <b>298</b>                     | 1,368                   |
|                                      | <u><b>55,459</b></u>           | <u>62,348</u>           |

Analysed for reporting purposes as:

|             | <b>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|-------------|--------------------------------|-------------------------|
| Non-current | <b>53,701</b>                  | 60,308                  |
| Current     | <b>1,758</b>                   | 2,040                   |
|             | <u><b>55,459</b></u>           | <u>62,348</u>           |



## 12. INTANGIBLE ASSETS

|  | <b>Mining<br/>right</b><br><i>HK\$'000</i> | <b>Trading<br/>right</b><br><i>HK\$'000</i> | <b>Goodwill</b><br><i>HK\$'000</i> | <b>Total</b><br><i>HK\$'000</i> |
|--|--|---|------------------------------------|---------------------------------|
| <b>COST:</b>   |  |   |                                    |                                 |
| At 1 July 2014   | 1,168,933                                  | –   | –                                  | 1,168,933                       |
| Currency realignment                                       | (44)                                       | –   | –                                  | (44)                            |
| At 30 June 2015 and 1 July 2015                            | 1,168,889                                  | –   | –                                  | 1,168,889                       |
| Business combination ( <i>Note 20</i> )                    | –  | 630   | 57,570                             | 58,200                          |
| Currency realignment                                       | (276)                                      | –   | –                                  | (276)                           |
| At 30 June 2016  | 1,168,613                                  | 630   | 57,570                             | 1,226,813                       |
| <b>ACCUMULATED AMORTISATION<br/>AND IMPAIRMENT LOSSES:</b> |  |   |                                    |                                 |
| At 1 July 2014   | 312,773                                    | –   | –                                  | 312,773                         |
| Additional impairment loss                                 | 180,449                                    | –   | –                                  | 180,449                         |
| Currency realignment                                       | (1)  | –   | –                                  | (1)                             |
| At 30 June 2015 and 1 July 2015                            | 493,221                                    | –   | –                                  | 493,221                         |
| Additional impairment loss                                 | 193,650                                    | –   | –                                  | 193,650                         |
| Currency realignment                                       | (6)  | –   | –                                  | (6)                             |
| At 30 June 2016  | 686,865                                    | –   | –                                  | 686,865                         |
| <b>NET CARRYING AMOUNT:</b>                                |  |   |                                    |                                 |
| At 30 June 2016  | 481,748                                    | 630   | 57,570                             | 539,948                         |
| At 30 June 2015  | 675,668                                    | –   | –                                  | 675,668                         |

### Mining right

The fair value of the mining right is a Level 3 non-recurring fair value measurement.

As at 30 June 2016, the carrying amount of the mining right was HK\$675,398,000, which was higher than the recoverable amount of HK\$481,748,000 based on the assessment, resulting in an impairment loss of HK\$193,650,000 (2015: HK\$180,449,000). The impairment loss is primarily due to the delay in the mining plan and hence a corresponding decrease in future cash inflows as well as the adverse change in expected selling price of copper according to the prevailing market conditions, which are attributed to the reduction in the recoverable amount of the mining right.

## 13. EXPLORATION AND EVALUATION ASSETS

|                            | <b>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|----------------------------|--------------------------------|-------------------------|
| <b>Exploration permits</b> |                                |                         |
| Cost:                      |                                |                         |
| At beginning of year       | –                              | 18,538                  |
| Impairment loss            | –                              | (18,538)                |
| At end of year             | –                              | –                       |

#### 14. INTERESTS IN ASSOCIATES

|                             | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|-----------------------------|-------------------------|-------------------------|
| Share of net assets         | 26,444                  | –                       |
| Goodwill ( <i>Note 19</i> ) | 84,028                  | –                       |
|                             | <u>110,472</u>          | <u>–</u>                |

Particulars of the Group's associates are as follows:

| Name of company                            | Place of incorporation/<br>establishment and<br>operation | Proportion of<br>effective interest<br>held by the Group | Principal activities  |
|--|---|--|---|
| Idea International Holdings Ltd.           | Cayman Islands  | 49% (direct)   | Investment holding  |
| Idea Advertising Holdings Ltd.             | British Virgin Islands                                    | 49% (indirect)   | Investment holding  |
| Idea Advertising Hong Kong<br>Company Ltd. | Hong Kong   | 49% (indirect)   | Investment holding  |
| 廣州市藝典廣告有限公司                                | PRC   | 49% (indirect)   | Advertising and media services,<br>branding and marketing<br>services, corporate image<br>and strategy services and<br>innovation strategy services |

The financial statements of the above companies are not audited by BDO Limited or any of its member firms.

#### 15. INTERESTS IN JOINT VENTURES

|                     | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|---------------------|-------------------------|-------------------------|
| Share of net assets | <u>35,346</u>           | <u>38,644</u>           |

Particulars of the Group's joint ventures are as follows:–

| Name of company             | Place of Establishment/<br>incorporation and<br>operation | Proportion of<br>effective interest<br>held by the Group | Principal activities                   |
|-----------------------------|---|--|--|
| Venture Max Limited         | British Virgin Islands                                    | 10% (direct)   | Investment holding                     |
| Mongolian Copper Mining LLC | Mongolia  | 10% (indirect)   | Mining business (not yet<br>commenced) |

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

As at 30 June 2016, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK\$56,096,000 (2015: HK\$97,344,000).

- (i) The Group allows an average credit period of 30 to 60 days (2015: 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>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| Within 30 days | <b>47,075</b>                  | 63,145                  |
| 31–60 days     | <b>3,705</b>                   | 5,542                   |
| 61–90 days     | <b>1,031</b>                   | 1,036                   |
| Over 90 days   | <b>4,285</b>                   | 27,621                  |
|                | <b>56,096</b>                  | 97,344                  |

## 17. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

As at 30 June 2016, included in the Group's creditors, other advances and accrued charges were trade creditors of HK\$52,822,000 (2015: HK\$73,708,000).

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

|                           | <b>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|---------------------------|--------------------------------|-------------------------|
| Current or within 30 days | <b>35,533</b>                  | 28,613                  |
| 31–60 days                | <b>2,984</b>                   | 6,836                   |
| 61–90 days                | <b>1,339</b>                   | 2,462                   |
| Over 90 days              | <b>12,966</b>                  | 35,797                  |
|                           | <b>52,822</b>                  | 73,708                  |

Included in the balances are an advance in the amount of HK\$1,168,000 (2015: HK\$Nil) from the non-controlling equity owner of a subsidiary and a loan of HK\$8,760,000 (2015: HK\$Nil) from an independent third party, which are unsecured, interest-free and have no fixed terms of repayment.

## 18. PROMISSORY NOTES

During the year, the Company issued promissory notes with principal amounts of HK\$42,000,000 and HK\$100,000,000 as part of the considerations to acquire 100% equity interest of Pico Zeman Securities (HK) Limited ("PICO") and 49% equity interest of Idea International Holdings Limited ("IDEA") respectively. The promissory notes are unsecured, bear interest at 6% per annum and matured at the second anniversary from the respective dates of issue, i.e. April and May 2018.

The promissory notes were 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:

|                                      | <i>HK\$'000</i> |
|--------------------------------------|-----------------|
| At the respective dates of issue     | 133,046         |
| Imputed interest on promissory notes | 3,886           |
| Redemption on promissory notes       | (40,000)        |
| Interest paid                        | (32)            |
| At 30 June 2016                      | <b>96,900</b>   |

## 19. ACQUISITION OF ASSOCIATES

During the year, the Group completed the acquisition of 49% equity interests in IDEA and its subsidiaries (collectively the “Idea Group”) at an aggregate nominal consideration of HK\$130,000,000 which was satisfied by (i) the initial payment of HK\$30,000,000 in cash; and (ii) issue of a promissory note of HK\$100,000,000 in favour of the vendor by the Company upon the date of completion of acquisition.

The fair values of the consideration and identifiable assets and liabilities of the Idea Group attributable to the Group, as at the completion date of the acquisition, are as below:

|   | <i>HK\$'000</i> |
|---|-----------------|
| Fair value of consideration:  |                 |
| Cash paid   | 30,000          |
| Promissory note issued  | 94,080          |
|   | <hr/>           |
|   | 124,080         |
| The Profit Guarantee  | (13,590)        |
| Fair value of identifiable assets and liabilities of the Idea Group attributable to the Group | (26,462)        |
|   | <hr/>           |
| Goodwill ( <i>Note 14</i> )   | <u>84,028</u>   |

Further details are set out in the Company’s announcements dated 10 December 2015, 30 March 2016 and 16 May 2016.

## 20. BUSINESS COMBINATION

During the year, the Group completed the acquisition of 100% equity interest of PICO, a company which is principally engaged in the business of securities brokerage in Hong Kong. It is currently licensed to carry on Type 1 regulated activity (dealing in securities) under the Securities and Futures. The acquisition was made with the aims to expand the Group’s business into financial services sector and related businesses.

The fair values of consideration and identifiable assets and liabilities of PICO as at the date of acquisition are as follows:

|  | <i>Note</i> | <i>HK\$'000</i> |
|--|-------------|-----------------|
| Property, plant and equipment                                  |             | 604             |
| Other intangible assets  | 12          | 630             |
| Other assets   |             | 200             |
| Debtors, other loans and receivables, deposits and prepayments |             | 3,377           |
| Financial assets at fair value through profit or loss          |             | 592             |
| Bank balances held on behalf of brokerage clients              |             | 20,606          |
| Bank balances and cash   |             | 6,270           |
| Creditors, other advances and accrued charges                  |             | (20,883)        |
|  |             | <hr/>           |
| Total identifiable net assets                                  |             | 11,396          |
| Goodwill   | 12          | <u>57,570</u>   |
| Consideration  |             | <u>68,966</u>   |
| Satisfied by:  |             |                 |
| Cash   |             | 30,000          |
| Promissory note issued   |             | 38,966          |
|  |             | <hr/>           |
| Consideration  |             | <u>68,966</u>   |

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

The Board announces that for the year ended 30 June 2016 (the “**year under review**”), total turnover of the Group was approximately HK\$740,979,000, representing a decrease of 5.3% as compared to approximately HK\$782,197,000 recorded for the corresponding period last year. During the year under review, loss attributable to owners of the Company was approximately HK\$274,945,000, as compared to the loss attributable to owners of the Company of approximately HK\$370,292,000 for the corresponding period last year. Loss per share for the year under review was approximately HK\$0.16 (Loss per share for 2014/15: HK\$0.68 (restated)).

### BUSINESS REVIEW

The Group’s turnover for the year under review was approximately HK\$740,979,000, representing a decrease of 5.3% as compared to approximately HK\$782,197,000 for the same period of last year. By business segments, the turnover of the cables and wires business was approximately HK\$175,918,000, representing a decrease of 17.3% as compared to approximately HK\$212,734,000 for the same period of last year and accounted for 23.7% of the Group’s total turnover. Turnover of the copper rod business was approximately HK\$402,665,000, representing an increase of 26.7% as compared to approximately HK\$317,903,000 for the same period of last year and accounted for 54.4% of the Group’s total turnover. Turnover of the metallurgical grade bauxite trading business was approximately HK\$140,761,000, representing a decrease of 33.6% as compared to approximately HK\$212,123,000 for the same period of last year and accounted for 19.0% of the Group’s total turnover. Turnover of the leasing business was approximately HK\$19,500,000, representing an increase of 44.8% as compared to approximately HK\$13,468,000 for the same period of last year and accounted for 2.6% of the Group’s total turnover. Turnover of other business was approximately HK\$2,135,000 (which included approximately HK\$2,078,000 from the securities business) and accounted for 0.3% of the Group’s total turnover, as compared to approximately HK\$25,969,000 for the same period of last year.

By geographical market segments, turnover from the business in the Americas operation decreased by 14.3% from approximately HK\$44,661,000 for the same period of last year to approximately HK\$38,262,000, accounting for 5.2% of the Group’s total turnover. Turnover from the business in Mainland China and Hong Kong operation decreased by 3.9% from approximately HK\$678,807,000 for the same period of last year to approximately HK\$652,288,000, accounting for 88.0% of the Group’s total turnover. Turnover from the business in other Asian markets decreased by 20.0% from approximately HK\$18,803,000 for the same period of last year to approximately HK\$15,034,000, accounting for 2.0% of the Group’s total turnover. Turnover from the business in Europe decreased by 11.3% from approximately HK\$39,926,000 for the same period of last year to approximately HK\$35,395,000, accounting for 4.8% of the Group’s total turnover.

## **Cables and Wires**

The major customers of the Group's cables and wires business are primarily manufacturers of white goods appliances. During the year under review, the economy in Mainland China was weak and overseas demand was unfavorable, which was particularly serious in the manufacturing industry. The Group has been proactively monitoring the dynamics of the global market and focusing on the upcoming policies of Mainland China, thereby has carried out research and adjustments accordingly and adopted appropriate market strategies.

## **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 household appliances, electronic products and power supply in infrastructure facilities. International copper prices witnessed a decreasing trend throughout the year under review. The 3-month London Metal Exchange copper price decreased from approximately US\$5,900 at the beginning of the year under review to approximately US\$4,800 at the end of the year under review. The Group adjusted its copper inventory and modified total amount of orders based on the demand of its customers and continued to utilise a substantial portion of the production capacity of its copper rod business in Dongguan to provide processing services to its customers.

## **Metallurgical Grade Bauxite Trading Business**

Commodities for the Group's metallurgical grade bauxite trading business were mainly imported from Malaysia. Due to pollution caused by mining of bauxite to the environment, the local authority in Malaysia intended to place restriction on bauxite mining at the beginning of 2016, which had certain impact on the trading volume of the Group. The Group has been closely monitoring the development of local policies and carried out adjustment and reviewed on market layout and proportion.

## **Rental Income**

During the year under review, rental income was approximately HK\$19,500,000, representing an increase of approximately 44.8% as compared with approximately HK\$13,468,000 for the same period of last year. Investment properties of the Group include a plant property in Qiaozi, Santai Industrial Zone, a residential property in Changping Town, Dongguan and the plant of Dongguan Xin Bao Precision Chemical Company Limited. The Group's property in Kowloon Bay duly changed to an investment property in the end of March 2016 and will generate rental income in the year 2016/2017.

## **Mining**

During the year under review, as the 3-month London Metal Exchange copper price decreased from approximately US\$5,900 at the beginning of the year under review to approximately US\$4,800 at the end of the year under review and due to the delayed production plans and inflation, impairment of HK\$193,650,000 was made to the mining right. Details of impairment loss are set out in note 12 to the consolidated financial statements in this announcement.

The mining right represents the right to conduct mining activities in the location of Nergui, Delgerkhangai 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. The mining right is being held by Ikh Shijir Erdene LLC which was acquired by the Company in May 2010 and has become an indirect wholly-owned subsidiary of the Company (the “**2010 Acquisition**”). The 2010 Acquisition was completed on 4 May 2010 and its details were set out in the Company’s circular dated 9 April 2010 (the “**Circular**”). During the year under review, the Company engaged an independent professional firm which reviewed the technical report that was annexed to the Circular and concluded that the report was correct.

During the year under review, Mongolia was in deep economic crisis, with its currency collapsed, economy stagnated and debts piled up. According to the statistics of the State Department of the U.S., from 2011 to the first quarter of 2015, foreign direct investments in Mongolia dropped significantly by 85%. Mining resources of the Group are principally located in Mongolia. Since investment risk had increased in Mongolia, no large scale capital investment was made during the year under review. The management will closely monitor the market risks of Mongolia and make adjustments to investment strategies accordingly.

### **Securities Business**

On 18 April 2016, the Group completed the acquisition of the entire issued share capital of Pico Zeman (see definition below). Upon completion, Pico Zeman became an indirect wholly-owned subsidiary of the Company. On 5 August 2016, the Company announced that the SFC has agreed to add Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities to the licence of Pico Zeman under section 127(1) of the SFO with effect from 25 July 2016. The approval is subject to a licensing condition that for Type 9 regulated activity, Pico Zeman shall not conduct business involving the discretionary management of any collective investment scheme (as defined under the SFO). As at the date of this announcement, Pico Zeman is licensed to carry on Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the SFO and it is also an Exchange Participant and a Direct Clearing Participant. The Group is optimistic about the market condition of the financial services market and related businesses and believes that it will benefit the Group in the long term.

### **Advertising Business**

On 16 May 2016, the Group acquired 49% of the issued capital of Idea International Holdings Limited (“**Idea**”). Idea is engaged in provision of: (i) advertising and media services; (ii) branding and marketing services; (iii) corporate image and strategy services; and (iv) innovative strategy services. Idea is the agent of various provincial broadcasting networks in Guangdong Province and provides advertising and media related services for clients with famous brands in beverage, IT and motor industries. The Group expects that the diversified income stream will achieve a more balanced development alongside with the Group’s existing business.

## PROSPECTS

The Group pays close attention to market information. The economic slowdown in the PRC, depreciation of Renminbi and downward adjustment of bulk commodity prices will affect the confidence towards the global economy. In view of this, the Group has made operational plans and will prudently monitor the worldwide economic conditions as well as in the major markets of the PRC so as to strengthen the Group's market position in the wire and cable as well as copper-rod industries.

The business of trading of metallurgical grade bauxite is faced with an uncertain operating environment. In response to changes in market conditions, the Group will research and consider the possibility of adding products to the trading business, such as metallurgical coke and coal, so as to increase the income of the Group.

The Group utilised most of the factory premises located at Changping, Dongguan city for leasing purpose, but the aging problem of the plants and increasing number of manufacturers moving out of Dongguan are expected to cause uncertainties for the leasing business in the future. In light of the rapid growth in the domestic logistics industry, the Group may grasp the opportunity to utilise the vacant lands for construction of a large logistics park.

The application for revitalisation of urban, plant and village proposal (三舊改造計劃) in Santai Industrial Zone has been submitted to relevant regulatory authorities for a long period of time. The application document proposed to change the existing use from industrial to residential and commercial which has yet been approved. In light of aging and obsolete plants and the situation of many factories relocating from Dongguan, future rental income will be affected. The management is reviewing the existing situation in order to maximise the return of its land and plant resources.

The Group is optimistic about the prospect of the securities business. Though the Hong Kong market was full of challenges and experienced continuous fluctuations in the past year, the Group anticipates that the operating environment will improve in the second half of 2016. The Group expects that the upcoming Shenzhen-Hong Kong Connect (深港通) scheme will facilitate market liquidity and bring new support for the securities market in Hong Kong. The Group believes there is good prospect in the financial services sector and will capture the opportunities arising from the Shenzhen-Hong Kong Connect.

For the advertising business, despite China's economic slowdown, the advertising and media market of the PRC continues to face abundant challenges and opportunities, especially in the advertising operation of television, websites and instant messengers where growth potentials are present. While strengthening key advantages of the television advertising business, the Group will also steadily develop new internet media and seek orders from new clients with a view to consolidate the foundation of said business operation.

The Directors expect that a balanced development will be achieved through diversified development with the existing business of the Group to increase shareholders' values. It implements the Group's mindset of progressing in stability to create room of sustainable development for the Group.



## **FINAL DIVIDEND**

The Board resolved not to pay any final dividend for the year ended 30 June 2016.

## **ANNUAL GENERAL MEETING**

The 2016 Annual General Meeting of the Company (the “**2016 AGM**”) will be held on Friday, 2 December 2016.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the identity of the shareholders of the Company (the “**Shareholders**”) to attend and vote at the 2016 AGM, the register of members of the Company will be closed from Wednesday, 30 November 2016 to Friday, 2 December 2016, both days inclusive, during which no transfer of shares of the Company will be effected. In order to qualify for attending and voting at the 2016 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, by 4:30 p.m. on Tuesday, 29 November 2016.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2016, the Group had approximately 800 employees in Hong Kong, the People’s Republic of China (“**PRC**”) and overseas (30 June 2015: 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**

For the year ended 30 June 2016, the Group implemented a prudent financial management policy. As at 30 June 2016, the Group had cash and bank balances amounting to approximately HK\$181 million (30 June 2015: HK\$163 million) and value of net current assets was approximately HK\$331 million (30 June 2015: HK\$367 million). The Group’s gearing ratio as at 30 June 2016 was 0.15 (30 June 2015: 0.04), being a ratio of total bank borrowings and promissory notes of approximately HK\$213 million (30 June 2015: HK\$68 million) to shareholders’ funds of approximately HK\$1,414 million (30 June 2015: HK\$1,533 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 30 June 2016, the Group had pledged certain properties, plant and machinery, land use rights and investment properties with an aggregate net book value of approximately HK\$305 million (30 June 2015: HK\$360 million) to secure general banking facilities granted to the Group.

## **CONTINGENT LIABILITIES**

As at 30 June 2016, the Company had issued guarantees to the extent of approximately HK\$17 million (30 June 2015: HK\$9.5 million) to the banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK\$17 million (30 June 2015: HK\$9.5 million) was utilised.

### **Financial instruments for hedging purposes**

For the year 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 30 June 2016 and the changes in fair value were charged to the income statement. The net loss from the Derivative Financial Instruments for the year under review was approximately HK\$5,791,000 (2014/15: net loss of HK\$7,959,000).

## **CHANGE OF COMPANY CHINESE NAME**

On 3 December 2015, the Company announced that the Directors had resolved and approved the adoption of a new Chinese name “星凱控股有限公司” by the Company to replace the Chinese name “蒙古礦業控股有限公司” with effect from 3 December 2015. The English name of the Company remains the same.

The new Chinese name is for identification purposes only and is not a secondary name of the Company. It does not form part of the Company’s registered name under Bermuda law and will not appear on the certificate of incorporation issued by the Registrar of Companies of Bermuda. The change of the Chinese name does not affect any of the rights of any of the Shareholders. All existing share certificates in issue bearing the name of “Solartech International Holdings Limited” continue to be evidence of title to the shares of the Company and are valid for trading, settlement and registration purposes.

On 16 December 2015, the Company announced that the Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by the Registrar of Companies of Hong Kong on 11 December 2015. With effect from 21 December 2015, the shares of the Company have been traded on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) under its new Chinese name “星凱控股有限公司”.

With effect from 21 December 2015, the Chinese stock short name for trading in the shares of the Company on the Stock Exchange has been changed from “蒙古礦業” to “星凱控股” to reflect the change of Chinese name while the English stock short name remains unchanged.

The Directors considered that the new Chinese name could provide the Company with a fresh identity and image which would benefit the Company’s future business development and is in the interest of the Company and its Shareholders as a whole.

The details of the change of the Company Chinese name and trading arrangement following the change were set out in the announcements of the Company dated 3 December 2015 and 16 December 2015.

## **CHANGE OF ADDRESS OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

On 31 March 2016, the Company announced that the address of the Company’s head office and principal place of business in Hong Kong will be changed to Room 2601-05, 26/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong with effect from 5 April 2016.

## **CAPITAL STRUCTURE**

### **First Placing of New Shares under the General Mandate**

On 13 July 2015, the Company and Kingston Securities Limited (“**Kingston**”), as the placing agent, entered into a placing agreement pursuant to which the Company conditionally agreed to place through Kingston, on a best efforts basis, up to 226,780,000 new ordinary shares of the Company at nominal value of HK\$0.01 each (“**Share(s)**”) to not less than six placees (who are independent professional, institutional or other investors) at the price of HK\$0.17 per placing share (the “**First Placing**”), in order to raise capital for the Company and to broaden its Shareholders and capital base. The closing market price of the Shares of the Company on the Stock Exchange on 13 July 2015 was HK\$0.211 per Share, which was the date on which the terms of the First Placing were fixed. The First Placing was completed on 29 July 2015. The 226,780,000 placing shares placed under the First Placing were issued under the general mandate (the “**General Mandate**”) which was granted to the Directors at the special general meeting held on 9 June 2015 (the “**June 2015 SGM**”). The gross and net proceeds from the First Placing amounted to approximately HK\$38.55 million and approximately HK\$37.3 million, respectively. The net proceeds raised per placing share was approximately HK\$0.164 per Share.

The utilisation of the net proceeds from the First Placing as at 30 June 2016 are summarised as follows:

| <b>Intended use of net proceeds from the First Placing</b>   | <b>Actual use of net proceeds from the First Placing</b> |
|--|--|
| – for general working capital of Hong Kong office and the PRC operations of the Group (including the administrative and operation expenses, such as, salaries and professional fees and other office expenses, etc.) | – Fully utilised as intended                             |

The details of the First Placing were set out in the announcements of the Company dated 13 July 2015 and 29 July 2015.

### **Refreshment of the General Mandate to Allot and Issue Shares**

On 29 July 2015, the 226,780,000 placing shares placed under the First Placing were issued under the General Mandate which was granted to the Directors at the June 2015 SGM of the Company. After the issue and allotment of the 226,780,000 placing shares, the total number of Shares in issue was increased from 1,133,912,340 Shares to 1,360,692,340 Shares. Thereafter, approximately 99.99% of the General Mandate was utilised by way of the First Placing and only 2,468 Shares were authorized to be allotted and issued under the General Mandate.

In order to provide additional flexibility to allow the Company to grasp appropriate fund raising opportunities, the Board proposed to seek refreshment of the General Mandate (the “**Refreshment of the General Mandate**”) at a special general meeting of the Company for the Directors to allot and issue new Shares not exceeding 20% of the issued share capital of the Company as at the date of such special general meeting. The Board believed that the Refreshment of the General Mandate was in the best interests of the Company and the Shareholders as a whole by maintaining the financial flexibility necessary for the Group’s future business expansion and development as well as to cater for future funding requirement of the Group. The Board considered equity financing to be an important avenue of resources to the Group since it would not create any interest paying obligations on the Group. In appropriate circumstances, the Group would also consider other financing methods such as debt financing or internal cash resources to fund its future business development.

At the special general meeting held on 30 September 2015 (the “**Sept 2015 SGM**”), the Refreshment of the General Mandate was approved by the Shareholders. Under the refreshed General Mandate (the “**Refreshed General Mandate**”), the Company was authorised to allot and issue up to 272,138,468 new Shares, being 20% of the total issued share capital of the Company as at the date of the Sept 2015 SGM.

The details of the Refreshment of the General Mandate were set out in the circular of the Company dated 11 September 2015 and the announcement of the Company dated 30 September 2015.

## **Second Placing of New Shares under the Refreshed General Mandate**

On 9 November 2015, the Company and Kingston, as the placing agent, entered into a second placing agreement pursuant to which the Company conditionally agreed to place through Kingston, on a best efforts basis, up to 272,120,000 new Shares to not less than six places (who are independent professional, institutional or other investors) at the price of HK\$0.17 per placing share (the “**Second Placing**”), in order to raise capital for the Company and to broaden its Shareholders and capital base. The closing market price of the Shares on the Stock Exchange was HK\$0.21 per Share on 9 November 2015, which was the date on which the terms of the Second Placing were fixed. The Second Placing was completed on 23 November 2015. The 272,120,000 placing shares placed under the Second Placing were issued under the Refreshed General Mandate which was granted to the Directors at the Sept 2015 SGM. The gross and net proceeds from the Second Placing amounted to approximately HK\$46.26 million and approximately HK\$44.85 million, respectively. The net proceeds raised per placing share were approximately HK\$0.165 per Share.

The utilisation of the net proceeds from the Second Placing as at 30 June 2016 are summarised as follows:

### **Intended use of net proceeds from the Second Placing**

- for repayment of trust receipt loans and general working capital of the Group

### **Actual use of net proceeds from the Second Placing**

- As at 30 June 2016, fully utilised as intended as follows:
- approximately HK\$25 million for repayment of trust receipt loans; and
  - approximately HK\$19.85 million for general working capital of Hong Kong office and the PRC operations of the Group

The details of the Second Placing were set out in the announcements of the Company dated 9 November 2015 and 23 November 2015.

## **Third Placing of New Shares under the Current General Mandate granted at the 2015 AGM**

On 22 April 2016, the Company and Kingston, as the placing agent, entered into a third placing agreement pursuant to which the Company conditionally agreed to place through Kingston, on a best efforts basis, up to 326,560,000 new Shares to not less than six places (who are independent professional, institutional or other investors) at the price of HK\$0.195 per placing share (the “**Third Placing**”), in order to raise capital for the Company and to broaden its Shareholders and capital base. The closing market price of the Shares on the Stock Exchange was HK\$0.239 per Share on 22 April 2016, which was the date on which the terms of the Third Placing were fixed. The Third Placing was completed on 12 May 2016. The 326,560,000 placing shares placed under the Third Placing were issued under the general mandate (the “**Current General Mandate**”) which was granted to the Directors at the 2015 annual general meeting (the “**2015 AGM**”) which was held on 22 December 2015. The gross

and net proceeds from the Third Placing amounted to approximately HK\$63.7 million and approximately HK\$61.8 million, respectively. The net proceeds raised per placing share were approximately HK\$0.189 per Share.

The utilisation of the net proceeds from the Third Placing as at 30 June 2016 and 29 September 2016 are summarised as follows:

**Intended use of net proceeds from the Third Placing**

- Approximately HK\$22 million for redemption of the promissory note (which was issued on 18 April 2016); and
- Approximately HK\$39.8 million for repayment of trust receipt loans and general working capital of the Group

**Actual use of net proceeds from the Third Placing**

As at 30 June 2016,

- approximately HK\$12 million was utilised for repayment of trust receipt loans; and
- the remaining was deposited at the banks

As at 29 September 2016,

- approximately HK\$24 million was utilised for repayment of trust receipt loans;
- approximately HK\$15.8 million utilised for general working capital of Hong Kong office and the PRC operations of the Group; and
- the remaining was deposited at the banks

The details of the Third Placing were set out in the announcements of the Company dated 22 April 2016 and 12 May 2016.

**Refreshment of the Current General Mandate to Allot and Issue Shares**

On 22 April 2016, the 326,560,000 placing shares placed under the Third Placing were issued under the Current General Mandate which was granted to the Directors at the 2015 AGM of the Company. After the issue and allotment of the 326,560,000 placing shares, the total number of Shares in issue was increased from 1,632,812,340 Shares to 1,959,372,340 Shares. Thereafter, approximately 99.99% of the Current General Mandate was utilised by way of the Third Placing and only 2,468 Shares were authorized to be allotted and issued under the Current General Mandate, which was approximately 0.0001% of the entire issued share capital of the Company.

In order to provide flexibility for the Company to raise funds for its future business development and/or opportunities to be identified by the Company through equity financing, the Board proposed to seek refreshment of the Current General Mandate (the “**Refreshment of the Current General Mandate**”) at a special general meeting of the Company for the Directors to allot and issue new Shares not exceeding 20% of the issued share capital of the Company as at the date of such special general meeting. The Board believed that the

Refreshment of the General Mandate was in the best interests of the Company and the Shareholders as a whole. The Board considered that equity financing (i) does not incur any interest expenses on the Group as compared with bank financing; (ii) is less costly and time-consuming than raising funds by way of rights issue or open offer; and (iii) provides the Company with the capability to capture any capital raising and/or prospective investment opportunity as and when it arises.

At the special general meeting held on 14 July 2016 (the “**July 2016 SGM**”), the Refreshment of the Current General Mandate was approved by the Shareholders and the Company has been authorised to allot and issue up to 391,874,468 new Shares, being 20% of the total issued share capital of the Company as at the date of the July 2016 SGM.

The details of the Refreshment of the Current General Mandate were set out in the circular of the Company dated 24 June 2016 and the announcement of the Company dated 14 July 2016.

### **DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN PICO ZEMAN SECURITIES (HK) LIMITED**

On 19 October 2015, the Company announced that Chau’s Industrial Investments Limited (the “**Purchaser**”), a direct wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the “**Sale and Purchase Agreement**”) with the vendor. Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to acquire from the vendor the sale shares at a total consideration of HK\$72,000,000 (the “**Acquisition A**”). The sale shares represent the entire issued share capital of Pico Zeman Securities (HK) Limited (“**Pico Zeman**”) which is a company incorporated in Hong Kong with limited liability.

The consideration of HK\$72,000,000 (the “**Consideration A**”) under the Sale and Purchase Agreement was satisfied by (i) an initial deposit and part payment of the Consideration A in the sum of HK\$30,000,000 from the Purchaser to the vendor upon the signing of the Sale and Purchase Agreement; and (ii) payment of the balance through a promissory note with principal face value of HK\$42,000,000 and 24 months maturity at 6% interest per annum (the “**Promissory Note A**”) which was issued by the Company in favour of the vendor (or his nominee). The initial deposit of the Consideration A under the Sale and Purchase Agreement was funded by the Group’s internal resources and the remaining balance thereof would be funded by the Group’s internal resources and/or other means such as bank borrowing and/or equity fund raising as the Directors might deem appropriate.

Completion of the Sale and Purchase Agreement was conditional on the conditions in the Sale and Purchase Agreement being satisfied or waived by the Purchaser (as the case may be) on or before the long stop date, which was the date not exceeding nine months from the date of the Sale and Purchase Agreement or such other date(s) as might be agreed in writing by the parties thereto from time to time. In particular, the obtaining by the Purchaser of the written approval of the Securities and Futures Commission (the “**SFC**”) for the Purchaser and the Company to become substantial shareholders of Pico Zeman under section 132 of the Securities and Futures Ordinance (the “**SFO**”) (Cap. 571 of Laws of Hong Kong) as a result of the Acquisition A by the Purchaser of the sale shares as contemplated by the Sale and Purchase Agreement was a condition that could not be waived. The details of the conditions were set out in the announcement of the Company dated 19 October 2015.

The Group intends to use Pico Zeman as its initial platform in establishing its financial services and related businesses as Pico Zeman holds a Type 1 regulated activity (Dealing in Securities) licence issued by the SFC under the SFO and its core business comprises of securities brokerage and dealing at the time of signing the Sale and Purchase Agreement. The Group plans to develop Pico Zeman to become an integrated security house offering sales and trading, investment advisory services, discretionary account services and asset management services in due course after obtaining approval of the addition of Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities from the SFC to the licence of Pico Zeman.

Since certain of the applicable percentage ratios of the Acquisition A exceed 5% but are less than 25%, the Acquisition A constitutes a discloseable transaction for the Company for the purposes of, and are subject to the reporting and announcement requirements under, Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

On 18 April 2016, the Company announced that all the conditions precedent set out in the Sale and Purchase Agreement were fulfilled and completion of the Acquisition A took place on 18 April 2016. Following completion of the Acquisition A, Pico Zeman became a wholly-owned subsidiary of the Purchaser and an indirect wholly-owned subsidiary of the Company.

The details and completion of the Acquisition A were set out in the announcements of the Company dated 19 October 2015, 20 October 2015 and 18 April 2016.

On 5 August 2016, the Company announced that the SFC has agreed to add Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities to the licence of Pico Zeman under section 127(1) of the SFO with effect from 25 July 2016. The approval is subject to a licensing condition that for Type 9 regulated activity, Pico Zeman shall not conduct business involving the discretionary management of any collective investment scheme (as defined under the SFO).

As at the date of this announcement, Pico Zeman is licensed to carry on Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the SFO and it is also an Exchange Participant and a Direct Clearing Participant.

#### **DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 49% ISSUED SHARE CAPITAL IN IDEA INTERNATIONAL HOLDINGS LIMITED**

On 10 December 2015, the Company announced that Allied Talent Investments Limited (“**Allied Talent**”), an indirect wholly-owned subsidiary of the Company, as the purchaser, entered into a conditional sale and purchase agreement (the “**Agreement**”) with Stylish Code Limited (“**Stylish Code**”), as the vendor, and Ms. Deng Rong, the registered legal and beneficial owner of the vendor, as the guarantor (the “**Guarantor**”). Pursuant to the Agreement, Allied Talent conditionally agreed to acquire and Stylish Code conditionally agreed to sell the sale shares, representing 49% of the issued share capital of Idea International Holdings Limited (the “**Target Company**”) (the “**Acquisition B**”). The Guarantor agreed to warrant and guarantee to Allied Talent the due and punctual performance by Stylish



Code of all its respective obligations under the Agreement and the transaction contemplated thereunder.

Upon completion, the Company would indirectly hold 49% of the entire equity interest in Guangzhou Yi Dian Advertising Company Limited (廣州市藝典廣告有限公司) (the English name for identification purpose only) (the “**Operating Company**”) through the target group (including the Target Company, Operating Company and two other companies), which will not be treated as the subsidiaries of the Company.

The consideration of HK\$130,000,000 (the “**Consideration B**”) under the Agreement was satisfied by (i) an initial deposit of the Consideration B in the sum of HK\$30,000,000 by cash; and (ii) payment of the balance through a promissory note with principal face value of HK\$100,000,000 and 24 months maturity at 6% interest per annum (the “**Promissory Note B**”) which was issued by the Company in favour of Stylish Code (or its nominee). The Company may at its discretion early redeem a part of or the whole outstanding amount under the Promissory Note B within the maturity period. The initial deposit of the Consideration B under the Agreement was funded by the Group’s internal resources and the remaining balance would be funded by the Group’s internal resources and/or financing through bank borrowing and/or equity fund raising as the Directors might deem appropriate.

Completion of the Agreement was conditional on the conditions being satisfied or waived by Allied Talent on or before the long stop date which was 31 March 2016 or such other date as Allied Talent and Stylish Code might agree. The details of the conditions were set out in the announcement of the Company dated 10 December 2015.

The Guarantor agreed to warrant and guarantee to Allied Talent the due and punctual performance by Stylish Code of all its respective obligations under the Agreement and the transaction contemplated thereunder.

Each of Stylish Code and the Guarantor has warranted and guaranteed to Allied Talent that the audited net profit after tax of the Operating Company for the financial years ended 31 December 2016 (“**2016 Audited Profit**”) and 2017 (“**2017 Audited Profit**”) shall not be less than RMB18,000,000 (“**2016 Guaranteed Profit**”) and RMB23,000,000 (“**2017 Guaranteed Profit**”) respectively. In the event that (i) the actual 2016 Audited Profit is less than 2016 Guaranteed Profit or (ii) the actual 2017 Audited Profit is less than 2017 Guaranteed Profit, Stylish Code and/or the Guarantor shall compensate Allied Talent three times of such shortfall by deducting the principal amount of the Promissory Note B.

For the avoidance of doubt, if the actual 2016 Audited Profit or the actual 2017 Audited Profit is a negative figure, it shall be deemed as zero. No adjustment to the Consideration B will occur if the actual 2016 Audited Profit or the actual 2017 Audited Profit is greater than the corresponding Guaranteed Profit. The actual 2016 Audited Profit and the actual 2017 Audited Profit shall be determined according to the audited financial statements of the Operating Company for the respective financial years, shall be prepared in accordance with the Hong Kong Financial Reporting Standards and reported by the auditor as agreed by Stylish Code and Allied Talent within three months after the end of the relevant financial year.

The Group has been actively exploring other new investments and business opportunities to engage in a new line of business with growth potential and broaden its source of income. The Directors consider that advertising and media related business in the PRC has shown its growth potential especially advertising through TV, websites and instant messages. The Operating Company is acting as the agent of various provincial broadcasting networks in Guangdong Province and provides advertising and media related services for clients with famous brands in beverage, IT and motor industries. The Directors are of the view that the Acquisition B provides a prime opportunity for the Group to enter into the advertising and media related business in the PRC and diversify the revenue stream of the Group. The Directors expect that the diversification of the income stream will counter balance the Group's cables and wires business, to increase the Shareholders' value and benefit the Company and the Shareholders as a whole.

On 30 March 2016, the Company announced that on 30 March 2016, Allied Talent, Stylish Code, the Company, the Target Company and the Guarantor entered into a supplemental agreement (the "**Supplemental Agreement**") to extend the long stop date to 31 May 2016 (or such other date as the Purchaser and the Vendor may agree) as additional time was required for completion of the final stage of the reorganisation of the target group, including obtaining approval and permit from the relevant authorities in the PRC.

Since certain of the applicable percentage ratios of the Acquisition B exceed 5% but are less than 25%, the Acquisition B constitutes a discloseable transaction for the Company for the purposes of, and are subject to the reporting and announcement requirements under, Chapter 14 of the Listing Rules.

On 16 May 2016, the Company announced that all the conditions of the Acquisition B were fulfilled and completion successfully took place on 16 May 2016. Upon completion, the Company indirectly holds 49% of the entire equity interest in the Operating Company through the target group. Members of the target group will not be treated as the subsidiaries of the Company and the financial results of the target group will be recognised in the Group's financial statements using equity method.

The details and completion of the Acquisition B were set out in the announcements of the Company dated 10 December 2015, 30 March 2016 and 16 May 2016.

## **SIGNIFICANT INVESTMENT**

Save as disclosed above, the Group did not make any other significant investment during the year under review and the Group does not have any other plans for material investments or capital assets as at the date of this announcement.

## **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 year ended 30 June 2016.

## **COMPLIANCE WITH THE CODE PROVISIONS**

During the year under review, the Company complied with 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 year 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.

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 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 the shareholders of the Company.

Mr. Chung Kam Kwong has served as 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 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. Chung will retire from office by rotation at the 2016 AGM and offer himself for re-election.

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 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.

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 2015 AGM and offered himself for re-election at the 2015 AGM. An ordinary resolution was passed at the 2015 AGM to approve the 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. Pursuant to the amendments to the Code relating to the financial reporting system, risk management and internal control systems which would apply to accounting periods beginning on or after 1 January 2016, the new terms of reference (the “**New Terms of Reference**”) for the Audit Committee has been approved and the New Terms of Reference are applicable to the Company’s accounting periods beginning on or after 1 January 2016 in substitution for and to the exclusion of all the existing terms of reference for the Audit Committee. The Audit Committee has reviewed the annual results of the Group for the year under review.

## **REMUNERATION COMMITTEE**

The remuneration committee of the Company (the “**Remuneration Committee**”) comprises the three independent non-executive Directors. It has adopted terms of reference which are in line with the Code provisions. The duties of the Remuneration Committee include reviewing and evaluating the remuneration packages of executive Directors and senior management and making recommendations to the Board from time to time.

## **NOMINATION COMMITTEE**

The nomination committee of the Company (the “**Nomination Committee**”) comprises Mr. Chau Lai Him and the three independent non-executive Directors. It has adopted terms of reference which are in line with the Code provisions. The duties of the Nomination Committee include reviewing the composition of the Board at least annually, identifying and recommending suitable board members, monitoring the implementation of the board diversity policy, assessing independence of independent non-executive Directors and making recommendations on appointments and re-appointments of Directors.

## **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 year under review.

## **APPRECIATION**

On behalf of the Board, I would like to extend my sincere gratitude to our business partners, the Shareholders, staff and management for their continuous dedication, commitment and support in the past year.

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

Hong Kong, 29 September 2016

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