# SOLARTECH INTERNATIONAL HOLDINGS LIMITED
## 星凱控股有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1166)**

## 2016/2017 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "**Directors**" or the "**Board**") of Solartech International Holdings Limited (the "**Company**") announces the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 31 December 2016, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
*FOR THE SIX MONTHS ENDED 31 DECEMBER 2016*

| | Notes | For the six months ended 31 December 2016 HK$'000 (Unaudited) | 31 December 2015 HK$'000 (Unaudited) |
|---|---|---|---|
| Turnover | 3(a) | **247,624** | 405,813 |
| Cost of sales | | **(230,735)** | (358,768) |
| Gross profit | | **16,889** | 47,045 |
| Interest income | | **166** | 25 |
| Other income | | **2,733** | 1,855 |
| General and administrative expenses | | **(89,503)** | (61,403) |
| Selling and distribution expenses | | **(5,816)** | (11,878) |
| Change in fair value of derivative financial instruments | 14 | **1,277** | (3,109) |
| Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net | 15 | **(20,088)** | (14,296) |
| Change in fair value of investment properties | 10 | **13,297** | (4,922) |

* *For identification purposes only*

| | Notes | For the six months ended **31 December 2016** ***HK$'000*** **(Unaudited)** | 31 December 2015 *HK$'000* (Unaudited) |
|---|---|---|---|
| Change in fair value of profit guarantee | | **(4,440)** | — |
| Additional of impairment loss recognised for doubtful debts | | **—** | (41) |
| Finance costs | *5* | **(11,139)** | (3,465) |
| Share of results of associates | | **6,377** | — |
| Share of results of joint ventures | | **(428)** | (7) |
| Loss before taxation | *4* | **(90,675)** | (50,196) |
| Taxation | *6* | **(175)** | (856) |
| **Loss for the period** | | **(90,850)** | (51,052) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Exchange differences on translating foreign operations | | **(1,616)** | 2,625 |
| Other comprehensive income for the period | | **(1,616)** | 2,625 |
| **Total comprehensive income for the period** | | **(92,466)** | (48,427) |
| Loss for the period attributed to: | | | |
| Owners of the Company | | **(90,453)** | (50,250) |
| Non-controlling interests | | **(397)** | (802) |
| | | **(90,850)** | (51,052) |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | **(91,678)** | (47,135) |
| Non-controlling interests | | **(788)** | (1,292) |
| | | **(92,466)** | (48,427) |
| Loss per share | | | *(Represented)* |
| – Basic and diluted (HK cents) | *8* | **(4.32)** | (3.51) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | *Notes* | **31 December 2016** | 30 June 2016 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Audited) |
| **Non-current assets** | | | |
| Property, plant and equipment | *9* | **127,066** | 124,540 |
| Investment properties | *10* | **229,224** | 348,856 |
| Prepaid lease payments for land | | **50,469** | 53,701 |
| Intangible assets | *11* | **539,195** | 539,948 |
| Prepayments for acquisition of property, plant and equipment | | **3,759** | 20,075 |
| Other assets | | **9,260** | 13,700 |
| Interests in associates | | **116,849** | 110,472 |
| Interests in joint ventures | | **35,231** | 35,346 |
| Total non-current assets | | **1,111,053** | 1,246,638 |
| **Current assets** | | | |
| Inventories | | **33,650** | 58,298 |
| Debtors, other loans and receivables, deposits and prepayments | *12* | **235,785** | 193,781 |
| Bills receivable | *13* | **3,778** | 9,579 |
| Financial assets at fair value through profit or loss | *15* | **63,517** | 79,577 |
| Prepaid lease payments for land | | **1,680** | 1,758 |
| Derivative financial assets | *14* | **27** | — |
| Bank balances held on behalf of brokerage clients | | **10,662** | 17,995 |
| Bank balances and cash | | **149,237** | 181,247 |
| | | **498,336** | 542,235 |
| Assets of a disposal group classified as held for sale | *19* | **124,452** | — |
| Total current assets | | **622,788** | 542,235 |

| | Notes | 31 December 2016 HK$'000 (Unaudited) | 30 June 2016 HK$'000 (Audited) |
|---|---|---|---|
| **Current liabilities** | | | |
| Creditors, other advances and accrued charges | *16* | **78,262** | 93,703 |
| Taxation | | **282** | 470 |
| Borrowings | *17* | **101,230** | 116,288 |
| Derivative financial liabilities | *14* | **—** | 435 |
| | | **179,774** | 210,896 |
| Liabilities of a disposal group classified as held for sale | *19* | **21,033** | — |
| Total current liabilities | | **200,807** | 210,896 |
| **Net current assets** | | **421,981** | 331,339 |
| **Total assets less current liabilities** | | **1,533,034** | 1,577,977 |
| **Non-current liabilities** | | | |
| Promissory notes | *18* | **32,800** | 96,900 |
| Deferred tax liabilities | | **37,177** | 58,087 |
| Total non-current liabilities | | **69,977** | 154,987 |
| **Total net assets** | | **1,463,057** | 1,422,990 |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | *20* | **23,512** | 19,594 |
| Reserves | | **1,431,387** | 1,394,450 |
| **Equity attributable to owners of the Company** | | **1,454,899** | 1,414,044 |
| **Non-controlling interests** | | **8,158** | 8,946 |
| **Total equity** | | **1,463,057** | 1,422,990 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2016*

| | Share capital | Share premium | Contributed surplus | Exchange reserve | Statutory reserve fund | Property revaluation reserve | Accumulated losses | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 July 2015 (Audited) | 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 period | – | – | – | – | – | – | (50,250) | (50,250) | (802) | (51,052) |
| Exchange difference on translating foreign operations | – | – | – | 3,115 | – | – | – | 3,115 | (490) | 2,625 |
| Total comprehensive income for the period | – | – | – | 3,115 | – | – | (50,250) | (47,135) | (1,292) | (48,427) |
| Placements of new shares | 4,989 | 77,653 | – | – | – | – | – | 82,642 | – | 82,642 |
| At 31 December 2015 (Unaudited) | 16,328 | 1,647,234 | 612,360 | (17,299) | 4,866 | 58,122 | (753,255) | 1,568,356 | 10,402 | 1,578,758 |

| | Share capital | Share premium | Contributed surplus | Exchange reserve | Statutory reserve fund | Property revaluation reserve | Share option reserve | Accumulated losses | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 July 2016 (Audited) | 19,594 | 1,706,049 | 612,360 | (15,178) | 4,866 | 64,303 | – | (977,950) | 1,414,044 | 8,946 | 1,422,990 |
| Loss for the period | – | – | – | – | – | – | – | (90,453) | (90,453) | (397) | (90,850) |
| Exchange difference on translating foreign operations | – | – | – | (1,225) | – | – | – | – | (1,225) | (391) | (1,616) |
| Total comprehensive income for the period | – | – | – | (1,225) | – | – | – | (90,453) | (91,678) | (788) | (92,466) |
| Placement of new shares *(Note 20(i))* | 3,918 | 110,696 | – | – | – | – | – | – | 114,614 | – | 114,614 |
| Share-based payment expenses *(Note 22)* | – | – | – | – | – | – | 17,919 | – | 17,919 | – | 17,919 |
| At 31 December 2016 (Unaudited) | 23,512 | 1,816,745 | 612,360 | (16,403) | 4,866 | 64,303 | 17,919 | (1,068,403) | 1,454,899 | 8,158 | 1,463,057 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2016*

| | For the six months ended | |
|---|---|---|
| | **31 December** | 31 December |
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Net cash used in operating activities | **(59,470)** | (17,403) |
| Net cash used in investing activities | **(4,405)** | (62,135) |
| Net cash generated from financing activities | **28,398** | 137,141 |
| Net (decrease)/increase in cash and cash equivalents | **(35,477)** | 57,603 |
| Cash and cash equivalents at beginning of the period | **181,247** | 162,463 |
| Effect of foreign exchange rate changes | **3,467** | 2,243 |
| Cash and cash equivalents at end of the period | **149,237** | 222,309 |
| Analysis of the balances of cash and cash equivalents: | | |
| Bank balances and cash | **149,237** | 222,309 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2016*

## 1. BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 30 June 2016. The accounting policies and method of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's consolidated financial statements for the year ended 30 June 2016.

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

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2016, which comprise HKFRSs; Hong Kong Accounting Standards ("HKASs"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's unaudited condensed consolidated interim financial statements and amounts reported for the current period and prior years.

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

## 3. TURNOVER AND SEGMENTAL INFORMATION

### *(a) Reportable segments*

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

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

(i) manufacture and trading of cables and wires;

(ii) 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 31 December 2015 and 31 December 2016, and for the periods then ended for the purpose of segment reporting.

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

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

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

***For the six months ended 31 December 2016 (Unaudited)***

| | Cables and wires *HK$'000* | Copper rods *HK$'000* | Metallurgical grade bauxite *HK$'000* | Investment properties *HK$'000* | Others *HK$'000* | Total *HK$'000* | Elimination *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | 79,774 | 124,300 | 29,165 | 8,171 | 6,214 | 247,624 | – | 247,624 |
| Inter-segment revenue | – | 11,586 | – | – | – | 11,586 | (11,586) | – |
| Reportable segment revenue | 79,774 | 135,886 | 29,165 | 8,171 | 6,214 | 259,210 | (11,586) | 247,624 |
| Reportable segment (loss)/profit | (23,161) | (13,360) | (824) | 17,405 | (29,511) | (49,451) | – | (49,451) |
| Finance costs | (1,553) | (2,057) | (310) | – | – | (3,920) | – | (3,920) |
| Change in fair value of derivative financial instruments | – | 1,395 | – | – | (118) | 1,277 | – | 1,277 |
| Change in fair value of financial assets at fair value through profit or loss | – | – | – | – | (20,088) | (20,088) | – | (20,088) |
| Change in fair value of investment properties | 990 | – | – | 12,307 | – | 13,297 | – | 13,297 |
| Change in fair value of profit guarantee | – | – | – | – | (4,440) | (4,440) | – | (4,440) |
| Share of results of joint ventures | – | – | – | – | (428) | (428) | – | (428) |
| Depreciation of property, plant and equipment | | | | | | | | |
| – allocated | (3,873) | (2,936) | (100) | (616) | (1,640) | (9,165) | – | (9,165) |
| – unallocated | | | | | | | | (1,638) |
| Taxation | – | (148) | (27) | – | – | (175) | – | (175) |

*For the six months ended 31 December 2015 (Unaudited)*

| | Cables and wires *HK$'000* | Copper rods *HK$'000* | Metallurgical grade bauxite *HK$'000* | Investment properties *HK$'000* | Others *HK$'000* | Total *HK$'000* | Elimination *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | 90,323 | 177,349 | 126,162 | 9,582 | 2,397 | 405,813 | — | 405,813 |
| Inter-segment revenue | — | 16,887 | — | — | 12,970 | 29,857 | (29,857) | — |
| Reportable segment revenue | 90,323 | 194,236 | 126,162 | 9,582 | 15,367 | 435,670 | (29,857) | 405,813 |
| Reportable segment (loss)/profit | (20,123) | (4,017) | 1,553 | 542 | (17,626) | (39,671) | — | (39,671) |
| Finance costs | (1,319) | (1,912) | (234) | — | (170) | (3,635) | 170 | (3,465) |
| Change in fair value of derivative financial instruments | — | (2,143) | — | — | (966) | (3,109) | — | (3,109) |
| Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net | — | — | — | — | (14,296) | (14,296) | — | (14,296) |
| Change in fair value of investment properties | — | — | — | (4,922) | — | (4,922) | — | (4,922) |
| Additional impairment loss recognised for doubtful debts | (41) | — | — | — | — | (41) | — | (41) |
| Share of results of joint ventures | — | — | — | — | (7) | (7) | — | (7) |
| Depreciation of property, plant and equipment – allocated | (4,254) | (3,267) | (57) | (561) | (143) | (8,282) | — | (8,282) |
| Taxation | (95) | (283) | (478) | — | — | (856) | — | (856) |

***As at 31 December 2016 (Unaudited)***

| | **Cables and wires** ***HK$'000*** | **Copper rods** ***HK$'000*** | **Metallurgical grade bauxite** ***HK$'000*** | **Investment properties** ***HK$'000*** | **Others** ***HK$'000*** | **Total** ***HK$'000*** |
|---|---|---|---|---|---|---|
| Reportable segment assets | **232,180** | **185,313** | **49,513** | **219,230** | **312,403** | **998,639** |
| Additions to non-current assets | **3,600** | **21** | **460** | **–** | **380** | **4,461** |
| Reportable segment liabilities | **68,180** | **71,427** | **15,215** | **5,231** | **18,276** | **178,329** |

*As at 30 June 2016 (audited)*

| | Cables and wires | Copper rods | Metallurgical grade bauxite | Investment properties | Others | Total |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'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 |

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

| | For the six months ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| **Loss before taxation** | | |
| Reportable segment loss | **(49,451)** | (39,671) |
| Unallocated corporate income | **17** | 3 |
| Unallocated corporate expenses | **(16,103)** | (10,528) |
| Unallocated share-based payment expenses | **(17,919)** | — |
| Unallocated finance costs | **(7,219)** | — |
| Consolidated loss before taxation | **(90,675)** | (50,196) |

**(c) Geographical information**

The Group's operations are located in the People's Republic of China (the "PRC"), Americas, Europe, Hong Kong and other regions.

The following table provides an analysis of the Group's sales by geographical markets, irrespective of the origin of the goods:

| | For the six months ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| PRC | **193,539** | 351,901 |
| Americas | **14,988** | 20,137 |
| Europe | **20,587** | 19,098 |
| Hong Kong | **12,675** | 7,466 |
| Other regions | **5,835** | 7,211 |
| | **247,624** | 405,813 |

## 4. LOSS BEFORE TAXATION

This has been arrived at after charging:

| | For the six months ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Depreciation of property, plant and equipment | **10,803** | 8,282 |
| Provision made for inventories | **444** | — |
| Charge of prepaid lease payments for land | **884** | 1,016 |

## 5. FINANCE COSTS

| | For the six months ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest on borrowings | **3,920** | 3,465 |
| Imputed interest on promissory notes (Note 18) | **7,219** | — |
| | **11,139** | 3,465 |

## 6. TAXATION

| | For the six months ended 31 December | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Taxation in other jurisdictions | **175** | 856 |

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit arising in Hong Kong during the current and prior periods. Taxation in other countries and jurisdictions is calculated at the rates applicable in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 7. DIVIDEND

The directors do not recommend the payment of any dividend for the six months ended 31 December 2016 (six months ended 31 December 2015: HK$Nil).

## 8. LOSS PER SHARE

The calculation of basic loss per share amounts for the six months ended 31 December 2016 is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the period.

| *Loss* | **For the six months ended 31 December** | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Loss attributable to owners of the Company for the purpose of basic loss per share | **(90,453)** | (50,250) |

| *Number of shares* | **For the six months ended 31 December** | |
|---|---|---|
| | **2016** | 2015 |
| | **(Unaudited)** | (Unaudited) (Represented) |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **2,095,481,630** | 1,432,941,253 |

The computation of diluted loss per share for the six months ended 31 December 2016 does not assume the subscription of the Company's outstanding potential dilutive ordinary shares as they are anti-dilutive. Therefore, the diluted loss per share was the same as the basic loss per share for the six months ended 31 December 2016.

There is no potential dilutive share during the six months ended 31 December 2015, therefore, the basic and diluted losses per share for the six months ended 31 December 2015 are equal.

The comparative figures for the basic loss per share for the six months ended 31 December 2015 are represented to take into account the effect of the bonus element embedded in the placement of new shares during the period retrospectively as if they had taken place since the beginning of the respective comparative period.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2016, the Group purchased property, plant and equipment of HK$20,887,000 (six months ended 31 December 2015: HK$2,537,000). In addition, the Group disposed of property, plant and equipment with a carrying value of HK$Nil (six months ended 31 December 2015: HK$31,000). As at 31 December 2016, property, plant and equipment with carrying value of HK$670,000 was transferred to assets of a disposal group classified as held for sale (30 June 2016: HK$Nil).

## 10. INVESTMENT PROPERTIES

| | | The Group | |
|---|---|---|---|
| | | **31 December 2016** | 30 June 2016 |
| | | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Audited) |
| **Fair value:** | | | |
| At the beginning of period/year | | **348,856** | 313,828 |
| Transferred from property, plant and equipment and prepaid lease payments for land | | **—** | 8,225 |
| Fair value gains, net | | **13,297** | 48,008 |
| Currency realignment | | **(13,956)** | (21,205) |
| Classified as held for sale | *19* | **(118,973)** | — |
| At end of period/year | | **229,224** | 348,856 |

Investment properties were valued as at 31 December 2016 by LCH (Asia-Pacific) Surveyors Limited and Peak Vision Appraisals Limited. They are independent firms of professionally qualified valuers, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued. The valuation of the investment properties was arrived at by capitalising the rental income derived from existing tenancies with due provision for any reversionary income potential of the tenancies using the investment approach. For the portion of the properties which are currently vacant, direct comparison approach is used by making reference to comparable sales evidence in the relevant market. These valuations gave rise to net fair value gains of HK$13,297,000 during the current period (six months ended 31 December 2015: losses of HK$4,922,000).

Direct operating expenses arising on the investment properties during the period amounted to HK$105,000 (six months ended 31 December 2015: HK$5,000).

## 11. INTANGIBLE ASSETS

| | Mining right *HK$'000* | Trading right *HK$'000* | Goodwill *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **COST:** | | | | |
| At 1 July 2016 (Audited) | 1,168,613 | 630 | 57,570 | 1,226,813 |
| Exchange realignments | (770) | — | — | (770) |
| At 31 December 2016 (Unaudited) | 1,167,843 | 630 | 57,570 | 1,226,043 |
| **ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:** | | | | |
| At 1 July 2016 (Audited) | 686,865 | — | — | 686,865 |
| Exchange realignments | (17) | — | — | (17) |
| At 31 December 2016 (Unaudited) | 686,848 | — | — | 686,848 |
| **NET CARRYING AMOUNT:** | | | | |
| At 31 December 2016 (Unaudited) | 480,995 | 630 | 57,570 | 539,195 |
| At 30 June 2016 (Audited) | 481,748 | 630 | 57,570 | 539,948 |

***Mining right***

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.

***Trading right***

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

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

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

At 31 December 2016, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of approximately HK$42,309,000 (30 June 2016: HK56,096,000).

(i) The Group allows an average credit period of 30 to 60 days to its trade customers.

(ii) The aging analysis of trade debtors, net of allowance for doubtful debts, based on invoice date, is as follows:

| | The Group | |
|---|---|---|
| | **31 December 2016** | **30 June 2016** |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Within 30 days | **38,727** | 47,075 |
| 31 - 60 days | **1,246** | 3,705 |
| 61 - 90 days | **137** | 1,031 |
| Over 90 days | **2,199** | 4,285 |
| | **42,309** | 56,096 |

(iii) At 31 December 2016, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to approximately HK$8,893,000 (30 June 2016: HK$4,926,000) resulting from the net settlements of derivative financial instruments which were in the closed-out positions at the end of reporting period.

## 13. BILLS RECEIVABLE

As at 31 December 2016 and 30 June 2016, all bills receivable aged within 90 days.

## 14. DERIVATIVE FINANCIAL INSTRUMENTS

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

The fair value of the derivative financial assets and liabilities at 31 December 2016 as provided by the banks or financial institutions amounted to approximately HK$27,000 and HK$Nil respectively (30 June 2016: derivative financial assets and liabilities of approximately HK$Nil and HK$435,000 respectively). The fair values of copper future contracts are determined based on the quoted market prices provided by banks or financial institutions at the end of reporting periods. The gain on change in fair value of derivative financial instruments of approximately HK$1,277,000 (six months ended 31 December 2015: loss of HK$3,109,000) has been recognised in the profit or loss during the period. All of these derivative financial instruments are not designated as hedging instruments.

## 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | The Group | |
|---|---|---|
| | **31 December 2016** | **30 June 2016** |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Equity securities held for trading and listed in Hong Kong | **63,517** | 79,577 |

The fair values of the equity securities are determined based on the quoted market prices. During the period, a loss on change in fair value of HK$20,088,000 (six months ended 31 December 2015: HK$6,896,000) and a net loss on disposal of HK$Nil (six months ended 31 December 2015:HK$7,400,000) were recognised in profit or loss.

## 16. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

At 31 December 2016, included in the Group's creditors, other advances and accrued charges were trade creditors of HK$39,528,000 (30 June 2016: HK$52,822,000).

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

| | The Group | |
|---|---|---|
| | **31 December 2016** | **30 June 2016** |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Within 30 days | **25,280** | 35,533 |
| 31 - 60 days | **3,279** | 2,984 |
| 61 - 90 days | **190** | 1,339 |
| Over 90 days | **10,779** | 12,966 |
| | **39,528** | 52,822 |

## 17. BORROWINGS

During the six months ended 31 December 2016, the Group raised new borrowings of HK$118,458,000 (six months ended 31 December 2015: HK$102,921,000) to provide for additional working capital; made repayment of HK$133,516,000 (six months ended 31 December 2015: HK$44,957,000). The borrowings of the Group are secured, due within one year and carried at average effective interest rates ranging from 4.72% to 6.76% (30 June 2016: 5.12% to 6.35%) per annum.

## 18. PROMISSORY NOTES

During the year ended 30 June 2016, 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 and 49% equity interest of Idea International Holdings Limited 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 period/year are as follows:

| | *HK$'000* |
|---|---|
| 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 | 96,900 |
| Imputed interest on promissory notes | 7,219 |
| Redemption on promissory notes | (69,000) |
| Interest paid | (2,319) |
| At 31 December 2016 | 32,800 |

## 19. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 15 October 2016, the Group, through a wholly-owned subsidiary, entered into an agreement with Key State Global Limited, an independent third party, to dispose of the entire issued share capital in a subsidiary, China Glory Management Limited (together with its subsidiaries are collectively referred to as the "Disposal Group"), at the consideration of HK$140,000,000 in cash. The Disposal Group is principally engaged in holding of land use rights, and manufacturing and trading of cables and wires in the PRC.

As at 31 December 2016 and up to the date of this interim report, the disposal of equity interest in the disposal group has not been completed. The following major classes of assets and liabilities relating to the Disposal Group have been classified as held for sale in the consolidated statement of financial position.

| | *Notes* | HK$'000 |
|---|---|---|
| Property, plant and equipment | *9* | 670 |
| Investment properties | *10* | 118,973 |
| Debtors, other loans and receivables, deposits, and prepayments | | 743 |
| Bank balances and cash | | 4,066 |
| | | 124,452 |
| Creditors, other advances and accrued charges | | 2,063 |
| Deferred tax liabilities | | 18,970 |
| | | 21,033 |

## 20. SHARE CAPITAL

| | Number of shares | | Share capital | |
|---|---|---|---|---|
| | **31 December 2016** | **30 June 2016** | **31 December 2016** | **30 June 2016** |
| | ***'000*** | *'000* | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) | **(Unaudited)** | (Audited) |
| Ordinary shares of HK$0.01 each: | | | | |
| Authorised | **50,000,000** | 50,000,000 | **500,000** | 500,000 |
| Issued and fully paid: | | | | |
| At beginning of the period/year | **1,959,372** | 1,133,912 | **19,594** | 11,339 |
| Placements of new shares (Note (i)) | **391,860** | 825,460 | **3,918** | 8,255 |
| At end of the period/year | **2,351,232** | 1,959,372 | **23,512** | 19,594 |

*Note:*

(i) During the year ended 30 June 2016, an aggregate number of 825,460,000 new ordinary shares of par value of HK$0.01 each were issued at subscription prices ranging from HK$0.17 to HK$0.195 each to the then independent third parties of the Company at aggregate proceeds of approximately HK$144,723,000, net of issuing expenses directly related to respective placements, of which HK$8,255,000 was credited to share capital and the remaining balance of HK$136,468,000 was credited to the share premium account.

During the six months ended 31 December 2016, an aggregate number of 391,860,000 new ordinary shares of par value of HK$0.01 each were issued at subscription price of HK$0.3 each to the then independent third parties of the Company at aggregate proceeds of approximately HK$114,614,000, net of issuing expenses directly related to respective placements, of which HK$3,918,000 was credited to share capital and the remaining balance of HK$110,696,000 was credited to the share premium account.

## 21. CAPITAL COMMITMENTS

| | 31 December 2016 *HK$'000* (Unaudited) | 30 June 2016 *HK$'000* (Audited) |
|---|---|---|
| Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of: | | |
| Plant and machinery | **355** | 2,905 |

## 22. SHARE OPTION SCHEME

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

Under the Scheme, the Board of the Company may grant options to the Participants to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share, subject to a maximum of 113,391,234 shares, representing approximately 10% of the issued share capital of the Company as at the date of special general meeting on 9 June 2015.

113,380,000 share options were granted during the six months ended 31 December 2016 (six months ended 31 December 2015: Nil). Equity-settled share-based payment amounted to HK$17,919,000 was recognised in profit or loss accordingly (six months ended 31 December 2015: HK$Nil).

As at 31 December 2016, the Company had 113,380,000 share options outstanding under the Scheme (30 June 2016: Nil).

## 23. RELATED PARTY TRANSACTIONS

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

**Compensation of key management personnel of the Group**

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

## 24. PLEDGE OF ASSETS

As at 31 December 2016, the Group has pledged property, plant and equipment, investment property, prepaid lease payments for land and pledged deposits and bank balances in the aggregate amount of HK$163,118,000 (30 June 2016: HK$305,494,000).

## 25. EVENT AFTER REPORTING PERIOD

On 9 February 2017, the Group, through an indirect wholly-owned subsidiary, entered into an agreement with Mr. Zhou Wei, a director and a minority shareholder of Henan Shengxiang Industry Co., Ltd. (the "Target Company"), to disposal of 51% equity interest in the Target Company (representing the entire interest of the Target Company held by the Group) at the consideration of RMB8,200,000 (equivalent to approximately HK$9,233,000) in cash (the "Disposal").

As of the date of this interim report, the Disposal has not completed.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

The Board announced that for the six months ended 31 December 2016 (the "**period under review**"), the total turnover of the Group was approximately HK$247,624,000 representing a decrease of 39.0% as compared to approximately HK$405,813,000 recorded for the corresponding period last year. During the period under review, loss attributable to the owners of the Company was approximately HK$90,453,000, as compared to loss attributable to the owners of the Company of approximately HK$50,250,000 for the corresponding period last year. Loss per share for the period under review was approximately HK4.32 cents (Loss per share for 2015/16 interim: HK3.51 cents (represented)).

The Board has resolved not to recommend the payment of any interim dividend for the year ending 30 June 2017 (2015/16 interim: nil).

## BUSINESS REVIEW

The Group's turnover for the period under review was approximately HK$247,624,000, representing a decrease of 39.0% as compared to approximately HK$405,813,000 for the same period of last year. By business segments, the turnover of the cables and wires business was approximately HK$79,774,000, representing a decrease of 11.7% as compared to approximately HK$90,323,000 for the same period of last year and accounted for 32.2% of the Group's total turnover. Turnover of the copper rod business was approximately HK$124,300,000, representing a decrease of 29.9% as compared to approximately HK$177,349,000 for the same period of last year and accounted for 50.2% of the Group's total turnover. Turnover of metallurgical grade bauxite trading business was approximately HK$29,165,000, representing a decrease of 76.9% as compared to approximately HK$126,162,000 for the same period of last year and accounting for 11.8% of the Group's total turnover. Turnover of the leasing business was approximately HK$8,171,000, representing a decrease of 14.7% as compared to approximately HK$9,582,000 for the same period of last year and accounting for 3.3% of the Group's total turnover. Turnover of other business was approximately HK$6,214,000 and accounted for 2.5% of the Group's total turnover, as compared to approximately HK$2,397,000 for the same period of last year.

By market segments, turnover from the business in the Americas decreased by 25.6% to approximately HK$14,988,000 from approximately HK$20,137,000 for the same period of last year, accounting for 6.0% of the Group's total turnover. Turnover from the business in Mainland China and Hong Kong decreased by 42.6% to approximately HK$206,214,000 from approximately HK$359,367,000 for the same period of last year, accounting for 83.3% of the Group's total turnover. Turnover from the European business increased by 7.8% to approximately HK$20,587,000 from approximately HK$19,098,000 for the same period of last year, accounting for 8.3% of the Group's total turnover. Turnover from the business in other regions decreased by 19.1% to approximately HK$5,835,000 from approximately HK$7,211,000 for the same period of last year, accounting for 2.4% of the Group's total turnover.

**Cables and Wires**

The Group's turnover of the cables and wires business for the period under review was approximately HK$79,774,000, representing a decrease of 11.7% as compared to approximately HK$90,323,000 for the same period of last year. The major customers are primarily manufacturers of white goods appliances. During the year under review, the economy in Mainland China and the whole world continued to be weak and the operating conditions in the manufacturing industry were sluggish. The Group has been proactively monitoring the dynamics of the global market and focusing on the upcoming policies in Mainland China, and 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, the turnover of which was approximately HK$124,300,000, representing a decrease of 29.9% as compared to approximately HK$177,349,000 for the same period of last year. The copper rods and copper wires are primarily used in the production of electric wires or cables for household appliances, electronic products and power supply in infrastructure facilities. Although international copper prices have rebounded from a low point during the period under review and the 3-month London Metal Exchange copper price rebounded from approximately US$4,800 at the beginning of the period under review to approximately US$5,700 at the end of the period under review, the demand for copper products in Mainland China and globally continued to be weak and the operating conditions of the copper rod business were difficult. The Group adjusted its copper inventory and modified the 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**

Turnover of metallurgical grade bauxite trading business was approximately HK$29,165,000, representing a decrease of 76.9% as compared to approximately HK$126,162,000 for the same period of last year. Commodities for this business were mainly imported from Malaysia. Due to pollution caused by mining of bauxite to the environment, the local authority in Malaysia has implemented a suspension order on bauxite mining from the beginning of 2016 in order to monitor mining operations and solve the water pollution problem. Implementation of the suspension order by Malaysia and overcapacity in the Chinese electrolytic aluminum industry have, amongst other factors, caused a substantial decrease in the trading volume of the Group's bauxite commodities trade. The Group expects that the above factors will cause continuing negative impacts on the trading volume and prospects of the business.

On 9 February 2017, the Group entered an equity transfer agreement with Mr. Zhou Wei to dispose 51% equity interest in Henan Shengxiang Industry Co., Ltd. (河南盛祥實業有限公司), at the consideration of RMB8,200,000 (equivalent to approximately HKD9,233,000) in cash. Completion of this transaction is subject to certain conditions under the disposal agreement. The details of the disposal were set out in the Group's announcement dated 9 February 2017.

**Rental Income**

During the period under review, rental income was approximately HK$8,171,000, representing a decrease of approximately 14.7% as compared with approximately HK$9,582,000 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 a industrial property in Kowloon Bay.

On 15 October 2016, the Group entered into a sale agreement with the purchaser in relation to the disposal of the entire issued share capital of China Glory Management Limited (which holds Santai Industrial Zone indirectly) at the consideration of HK$140,000,000 in cash. The land in the industrial zone is designated for industrial use under the terms of the existing land grant contract. The management of the Company have noted that the maintenance costs of the industrial complex erected on the land has been increased due to the higher standard on the environmental protections under the relevant regulations in the PRC. The Board expects that in long run, substantial costs would be incurred if the industrial complex has to be renovated or improved to meet the said requirements. Further, the disposal allows the Group to receive the total amount of the present value of the land with a premium. Completion of this transaction is subject to conditions under the sale agreement. The details of the sale were set out in the Group's announcement dated 16 October 2016.

**Mining**

The Group's mineral resources are concentrated in Dundgobi Aimag and Bayan-Ulgii Aimag, Mongolia. As there are still many uncertainties in the Mongolian and international mineral markets, besides carrying out a small amount of additional exploration work and the necessary work to maintain the mining rights, no large scale capital investment was made during the period under review. The management will closely monitor the market risks of Mongolia and make adjustments to investment strategies accordingly.

**Securities Business**

Turnover of securities business during the period under review was approximately HK$6,214,000. The Securities and Futures Commission has agreed to add Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities to the licence of Pico Zeman Securities (HK) Limited ("Pico Zeman"), a indirect wholly-owned subsidiary of the Company, under section 127(1) of the Securities and Futures Ordinance (the "**SFO**") with effect from 25 July 2016. As at 27 February 2017, 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.

**Advertising Business**

The Group owns 49% of the issued capital of Idea International Holdings Limited ("**Idea**"). The business scope of Idea includes acting as an integrated brand marketing and advertising company based on media agency, column placement, media delivery and advertisement design and provision of advertising and media related services for clients with famous brands in beverage, IT and motor industries. During the period under review, the customer base of Idea has been expanding. In order to engage with new customers and enjoy better corporate incentives, Idea established Zhuhai Idea Advertising Co., Ltd. (珠海藝典廣告有限公司) in Zhuhai in September last year. The Group expects that the diversified income stream will achieve a more balanced development alongside the Group's existing business.

## PROSPECTS

The Group will pay close attention to market information, prudently monitor worldwide economic conditions and in the major markets of the PRC, so as to be able to make operational plans in response to market changes and to strengthen the Group's market position in the cables and wires business. The Group will also research and consider the possibility of adding mineral products to its trading business so as to increase the income of the Group.

The copper rod business is subject to the recent fluctuations in copper prices and the reduction of demand in Mainland China, which results in a substantial reduction in orders for processing customers. It is expected that the copper rod business will slow down in the second half year.

The Group's securities business and advertising business were added last year. In the period under review, the securities business had not provided an ideal contribution to the Group. The Group will review its development direction and assess feasible options. Advertising business had a better performance than expected, despite China's economic slowdown. The advertising and media market of the PRC continues to face abundant challenges and opportunities, especially in the advertising business of websites and instant messengers where growth potentials are present.

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

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had approximately 600 employees in Hong Kong, the People's Republic of China ("**PRC**") and overseas (30 June 2016: 800). The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the six months ended 31 December 2016, the Group implemented a prudent financial management policy. As at 31 December 2016, the Group had cash and bank balances amounting to approximately HK$149 million (30 June 2016: HK$181 million) and value of net current assets was approximately HK$422 million (30 June 2016: HK$331 million). The Group's gearing ratio as at 31 December 2016 was 0.09 (30 June 2016: 0.15), being a ratio of total bank borrowings and the promissory note of approximately HK134 million (30 June 2016: HK$213 million) to shareholders' funds of approximately HK$1,455 million (30 June 2016: HK$1,414 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 attention to the recent fluctuations in the Renminbi exchange rate and any exchange risks.

## CHARGES ON GROUP ASSETS

As at 31 December 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$163 million (30 June 2016: HK$305 million) to secure general banking facilities granted to the Group.

## CONTINGENT LIABILITIES

As at 31 December 2016, the Company had issued guarantees to the extent of approximately HK$18 million (30 June 2016: HK$17.0 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK$18 million (30 June 2016: HK$17.0 million) was utilised.

### Financial instruments for hedging purposes

For the period under review, the Group entered into copper forward contracts ("**Derivative Financial Instruments**") to manage copper price risks. The Group's overall financial risk management is to ensure that transactions undertaken by the Group are in accordance with the Group's policies and not for speculative purposes. The outstanding Derivative Financial Instruments had been revalued and stated at their fair value as at 31 December 2016 and the changes in fair value were charged to the income statement. The net gain of the Derivative Financial Instruments for the period under review was approximately HK$1,277,000 (2015/16 interim: net loss of HK$3,109,000).

## CAPITAL STRUCTURE

### First Placing of New Shares under the General Mandate granted at the 2015 AGM

On 22 April 2016, 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 326,560,000 new ordinary shares of the Company at nominal value of HK$0.01 each ("**Shares**") to not less than six placees (who are independent professional, institutional or other investors) at the price of HK$0.195 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 on the Stock Exchange was HK$0.239 per Share on 22 April 2016, which was the date on which the terms of the First Placing were fixed. The First Placing was completed on 12 May 2016. The 326,560,000 placing shares placed under the First Placing were issued under the general mandate (the "**General Mandate**") which was granted to the Directors at the 2015 annual general meeting (the "**2015 AGM**") which was held on 22 December 2015. The gross and net proceeds from the First 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 First Placing as at 31 December 2016 are summarised as follows:

| **Intended use of net proceeds from the First Placing** | **Actual use of net proceeds from the First Placing** |
|---|---|
| – Approximately HK$22 million for redemption of the promissory note (which was issued on 18 April 2016); and | – approximately HK$22 million was utilised 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 | – approximately HK$24 million was utilised for repayment of trust receipt loans and approximately HK$15.8 million was utilised for general working capital of Hong Kong office and the PRC operations of the Group |

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

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

The 326,560,000 placing shares placed under the First Placing were issued under the General Mandate which was granted to the Directors at the 2015 AGM. 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 General Mandate was utilised and only 2,468 Shares were authorized to be allotted and issued under the 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 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. 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 General Mandate was approved by the Shareholders and the refreshed general mandate (the "**Refreshed General Mandate**") was granted to the Directors 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 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.

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

On 9 November 2016, 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 391,860,000 new shares to not less than six placees at the price of HK$0.30 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 on the Stock Exchange was HK$0.365 per share on 9 November 2016, which was the date on which the terms of the Second Placing were fixed. The Second Placing was completed on 25 November 2016. The 391,860,000 shares placed under the Second Placing were issued under the Refreshed General Mandate which was granted to the Directors at the July 2016 SGM. The gross and net proceeds from the Second Placing amounted to approximately HK$117.56 million and approximately HK$114.4 million, respectively. The net proceeds raised per placing share were approximately HK$0.292.

The utilisation of the net proceeds from the Second Placing as at 31 December 2016 and 27 February 2017 are summarised as follows:

| Intended use of net proceeds from the Second Placing | Actual use of net proceeds from the Second Placing |
|---|---|
| – Approximately HK$35 million for redemption of the promissory note (which was issued on 16 May 2016); | As at 31 December 2016,<br>– approximately HK$35 million was utilised for redemption the promissory note (which was issued on 16 May 2016); and |
| – Approximately HK$34 million for repayment of bank loans and trust receipt loans; and | – approximately HK$22 million was utilised for repayment of bank loans and approximately HK$12 million was utilised for repayment of trust receipt loans. |
| – Approximately HK$45.4 million for general working capital of the Group | As at 31 December 2016,<br>– approximately HK$5 million was utilised for general working capital of Hong Kong office and the PRC operations of the Group and the remaining was deposited at the banks.<br><br>As at 27 February 2017,<br>– approximately HK$14 million was 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 Second Placing were set out in the announcements of the Company dated 9 November 2016 and 25 November 2016.

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

Reference is made to the announcements of the Company dated 19 October 2015, 20 October 2015, 18 April 2016 and 5 August 2016.

On 5 August 2016, the Company announced that the Securities and Futures Commission has agreed to add Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities to the licence of Pico Zeman Securities (HK) Limited ("**Pico Zeman**") under section 127(1) of the Securities and Futures Ordinance ("**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 27 February 2017, 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 DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL IN CHINA GLORY MANAGEMENT LIMITED

On 16 October 2016, the Company announced that on 15 October 2016, Chau's Industrial Investments Limited (a wholly-owned subsidiary of the Company) (the "**Vendor**") entered into a conditional sale and purchase agreement (the "**Sale Agreement**") with Key State Global Limited (the "**Purchaser A**") in relation to the disposal of the entire issued share capital of China Glory Management Limited (the "**Target Company A**") at a cash consideration of HK$140,000,000 ("**Disposal A**").

The Purchaser A is a third party independent of each of the Company, its subsidiaries and its connected persons (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")).

The Target Company A holds the entire issued share capital of Santai Electronics Company Limited (the "**HK Company**"), which holds the entire interest in 東莞三泰電器有限公司 (for identification purpose only, in English, Dongguan Santai Electronics Company Limited) (the "**Operating Company**") (the Target Company A, the HK Company and the Operating Company are referred to collective as the "**Target Group**"). The Operating Company is the legal and beneficial holder of the land use rights in respect of a parcel of land located at Qiaozi Road, Qiaozi Village, Chang Ping Town, Dongguan City, Guangdong Province, the PRC (which is a site area of approximately 72,292 square meters and has an industrial complex with a total gross floor area of approximately 91,095 square meters erected thereon) (the "**Land**"). The industrial complex erected on the Land, together with the tenancy, will be (subject to completion of Disposal A) transferred to the Purchaser A on an as-is basis.

The Land is designated for industrial use under the terms of the existing land grant contract. It was noted that the maintenance costs of the industrial complex erected on the Land has been increased due to the higher standard of environmental protections under the relevant regulations in the PRC. It was expected that in long run, it would incur substantial costs if the industrial complex has to be renovated or improved to meet the said requirements. Further, Disposal A allows the Group to receive the total amount of the present value of the Land with a premium.

The Directors considered that the terms of the Sale Agreement are on normal commercial terms, fair and reasonable and Disposal A is in the interests of the Company and its shareholders as a whole.

Under the Sale Agreement, the Vendor will dispose of the entire issued share capital of the Target Company A for a cash consideration of HK$140,000,000 ("**Consideration A**"). Consideration A shall be satisfied by (i) a sum of HK$5,000,000, being a deposit of Consideration A (which shall be payable to the Vendor within ten Business Days upon the execution of the Sale Agreement and shall be non-refundable to the Purchaser A whether the completion of Disposal A takes place in accordance with the Sale Agreement); and (ii) the remaining balance of Consideration A in the sum of HK$135,000,000 in cash upon the date of completion.

Consideration A was determined after arm's length negotiation between the Purchaser A and the Vendor, taking into account various factors, amongst others, (a) the carrying value of the Target Group and the Land; (b) a valuation report on the Land in its existing status as of 30 June 2016 with the current market value of RMB104,700,000 (equivalent to approximately HK$122,284,000) prepared by an independent valuer; (c) the audited net assets of the Target Group of HK$44,710,000 as at 30 June 2016, the total amount of a shareholder's loan for the Target Group of approximately HK$60,900,000 and a loan of approximately HK$8,500,000 due to a fellow subsidiary of the HK Company provided by the Vendor previously to be waived at completion of Disposal A; and (d) other factors as set out in the paragraph headed "Reasons for and Benefits for the Disposal" in the announcement of the Company dated 16 October 2016.

Completion is conditional upon satisfaction of the following conditions being satisfied or (if applicable) waived by the Purchaser A on or before the Long Stop Date (defined as the date which is 12 months after the date of the Sale Agreement, or such other date as the Vendor and the Purchaser A may agree):

(i) the Purchaser A having been satisfied with and accepted the due diligence results on the Target Group (including but not limited to the legal, financial and commercial aspects of due diligence);

(ii) the guarantee and security provided by the Operating Company (being the collateral for a loan facility provided to the Group) having been released and discharged in full; and

(iii) all warranties contained in the Sale Agreement having remained true and accurate in all material respects at completion as if repeated at completion and at all times between the date of the Sale Agreement and completion.

If the above conditions have not been fulfilled or waived on or before the Long Stop Date, the Sale Agreement will be immediately terminated, whereupon the relevant rights and obligations of all parties under the Sale Agreement shall have no further force and effect.

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

The details of Disposal A were set out in the announcement of the Company dated 16 October 2016.

## DISCLOSEABLE TRANSACTION AND EXEMPTED CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 51% OF THE EQUITY INTEREST IN HENAN SHENGXIANG INDUSTRY CO., LTD.

On 9 February 2017, 東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd. (an indirect wholly-owned subsidiary of the Company) ("**Dongguan Hua Yi**") entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with Mr. Zhou Wei (the "**Purchaser B**") in relation to the disposal of 51% of the equity interest in 河南盛祥實業有限公司 Henan Shengxiang Industry Co., Ltd. (the "**Target Company B**") (representing the entire interest of the Target Company B held by Dongguan Hua Yi) at the consideration of RMB8,200,000 (equivalent to approximately HKD9,233,000 as at 9 February 2017) ("**Disposal B**").

The Purchaser B is a director and minority shareholder of the Target Company B, holding 39% equity interest in the Target Company B. Therefore, the Purchaser B is regarded as a connected person of the Company at the subsidiary level under the Listing Rules.

Dongguan Hua Yi is an indirect wholly-owned subsidiary of the Company and is principally engaged in the manufacture and trading of copper products and trading of metallurgical grade bauxite.

The consideration of RMB8,200,000 (equivalent to approximately HKD9,233,000 as at 9 February 2017) (the "**Consideration B**") shall be satisfied in the following manners:

(i) a sum of RMB4,250,000 (equivalent to approximately HKD4,785,000 as at 9 February 2017), being the deposit of Consideration B, shall be payable to Dongguan Hua Yi within three Business Days upon the execution of the Equity Transfer Agreement. The initial deposit shall be non-refundable to the Purchaser B whether the completion of Disposal B takes place in accordance with the Equity Transfer Agreement; and

(ii) the remaining balance of Consideration B in the sum of RMB3,950,000 (equivalent to approximately HKD4,448,000 as at 9 February 2017) shall be satisfied in cash within three Business Days upon completion of the update and registration with the industry and commerce administration bureau in respect of Disposal B, which, in any event, shall be completed within one month upon the execution of the Equity Transfer Agreement.

Consideration B was determined after arm's length negotiation between the Purchaser B and Dongguan Hua Yi, taking into account various factors, amongst others, (a) the capital previously injected by Dongguan Hua Yi to the Target Company B; (b) the audited net assets of the Target Company B as at 30 June 2016; and (c) other factors as set out in the paragraph headed "Reasons for and Benefits of the Disposal" in an announcement of the Company dated 9 February 2017.

The Target Company B is a company incorporated under the laws of the PRC on 22 December 1999 with limited liability. The Target Company B is principally engaged in the trading of metallurgical grade bauxite, commodities of which were mainly imported from Malaysia. Due to pollution caused by the mining of bauxite to the environment, the local authority in Malaysia imposed a moratorium on bauxite mining in early 2016 in an attempt to regulate mining practices and tackle water pollution. The moratorium led to a substantial decrease in the trading volume of bauxite commodities of the Target Company B after its enforcement.

As the Directors expect that the said moratorium would have continuous adverse effect on the Target Company B's trading volume and the prospect of the metallurgical grade bauxite trading business, the Directors consider that Disposal B would allow the Group to re-allocate its financial resources to other businesses with better prospect.

The Directors (including the independent non-executive Directors) consider that (i) the Disposal and the transaction contemplated under the Equity Transfer Agreement are on normal commercial terms; and (ii) the terms of the Equity Transfer Agreement, which are determined after arm's length negotiations between the Dongguan Hua Yi and the Purchaser B, are fair and reasonable and Disposal B is in the interests of the Company and its shareholders as a whole.

It is expected that the aggregate net proceeds of Disposal B will be approximately RMB8,000,000 (after deducting transaction costs and expenses) (equivalent to approximately HKD9,008,000), which is intended to be utilised for the general working capital of the Group.

Completion shall take place on the date on which 51% of the equity interest in the Target Company B have been transferred from Dongguan Hua Yi to the Purchaser B, and the update and registration with the industry and commerce administration bureau have been completed.

Following the completion, the Company will cease to have any interest in the Target Company B and the Target Company B will cease to be a subsidiary of the Group.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of Disposal B exceed 5%, but are all less than 25%, Disposal B constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement requirements under the Listing Rules.

The Purchaser B is a director and minority shareholder of the Target Company B and thus a connected person of the Company at the subsidiary level. Disposal B constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. On 9 February 2017, the Directors (including the independent non-executive Directors) have approved Disposal B, and the independent non-executive Directors have also confirmed that the terms of the Equity Transfer Agreement are fair and reasonable, the Equity Transfer Agreement is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole. By virtue of Rule 14A.101 of the Listing Rules, Disposal B is only subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors have a material interest in the Equity Transfer Agreement and Disposal B, and none of the Directors have abstained from voting on the resolutions approving the Equity Transfer Agreement and Disposal B.

The details of Disposal B were set out in the announcement of the Company dated 9 February 2017.

## SIGNIFICANT INVESTMENT

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

## SHARE OPTIONS

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 December 2012, the Company conditionally adopted the share option scheme (the "**Share Option Scheme**"). The details of the Share Option Scheme are set out in a circular to the shareholders of the Company dated 24 October 2012.

On 7 October 2016 ("**Date of Grant**"), the Company resolved to grant share options (the "**Options**") to subscribe for a total of 113,380,000 shares to 7 directors of the Company and certain eligible persons (collectively, the "**Grantees**"), subject to acceptances of the Grantees, under the Share Option Scheme.

Among the 113,380,000 Options granted as referred to the above, 72,580,000 Options were granted to the following Directors, details of which are as follows:

| Name of Director | Position | Number of Options granted |
|---|---|---|
| Chau Lai Him | Executive director | 18,580,000 |
| Zhou Jin Hua | Executive director | 17,000,000 |
| Liu Dong Yang | Executive director | 17,000,000 |
| Chau Chi Ho | Executive director | 17,000,000 |
| Chung Kam Kwong | Independent non-executive director | 1,000,000 |
| Lo Wai Ming | Independent non-executive director | 1,000,000 |
| Lo Chao Ming | Independent non-executive director | 1,000,000 |
| | Total: | 72,580,000 |

The details of the Options granted were set out in the announcement of the Company dated 7 October 2016.

The following table discloses movements in the Company's Share Option Scheme during the period under review:

| | | | | Number of Share Options | | | |
|---|---|---|---|---|---|---|---|
| **Capacity** | **Date of grant** | **Exercisable period** | **Exercised price** HK$ *Note (1)* | **Outstanding at 1.7.2016** | **Granted during the period** | **Exercise during the period** | **Outstanding at 31.12.2016** |
| Directors | 7 October 2016 | 14 October 2016 to 6 October 2018 | 0.355 | — | 72,580,000 | — | 72,580,000 |
| Employees | 7 October 2016 | 14 October 2016 to 6 October 2018 | 0.355 | — | 7,300,000 | — | 7,300,000 |
| Others | 7 October 2016 | 14 October 2016 to 6 October 2018 | 0.355 | — | 33,500,000 | — | 33,5000,000 |
| | | | | — | 113,380,000 | — | 113,380,000 |

*Note (1)*

The closing price per share as stated in the Stock Exchange's daily quotation sheet on the Date of Grant was HK$0.350 and the average closing price per share as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the Date of Grant was HK$0.355.

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

Save for the Share Options granted, as at 31 December 2016, none of the Directors nor the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of the Company's associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors set out in Appendix 10 to the Listing Rules.

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

So far as is known to the Directors and chief executives of the Company, as at 31 December 2016, there were no persons who had a notifiable interest or short position in the shares or underlying shares of the Company recorded in the register kept by the Company pursuant to section 336 of the SFO.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the six months ended 31 December 2016.

## COMPLIANCE WITH THE CODE PROVISIONS

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

### Code provision A.2.1

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

During the period under review, Mr. Chau Lai Him 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 been 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 2016 annual general meeting (the "**2016 AGM**") and offered himself for re-election at the 2016 AGM. An ordinary resolution was passed at the 2016 AGM to approve the appointment of Mr. Chung Kam Kwong as an independent non-executive Director of the Company.

Mr. Lo Wai Ming has been an independent non-executive Director 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 reelection 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.

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

## COMPLIANCE WITH THE MODEL CODE

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

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

Hong Kong, 27 February 2017

*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.*