

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



SOLARTECH INTERNATIONAL HOLDINGS LIMITED

星凱控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1166)

2017/2018 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 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

		For the six months ended	
		31 December 2017	31 December 2016
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Turnover	3(a)	200,230	247,624
Cost of sales		(176,091)	(230,735)
Gross profit		24,139	16,889
Interest income		95	166
Other income		24,904	2,733
General and administrative expenses		(48,544)	(89,503)
Selling and distribution expenses		(5,126)	(5,816)
Change in fair value of derivative financial instruments	14	(845)	1,277
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	15	546	(20,088)
Change in fair value of investment properties	10	10,664	13,297
Change in fair value of profit guarantee		(5,880)	(4,440)
Loss on disposal of subsidiaries	19	(1,236)	–
Finance costs	5	(4,204)	(11,139)
Share of results of associates		8,609	6,377
Share of results of joint ventures		(88)	(428)

* For identification purposes only

		For the six months ended	
		31 December	31 December
		2017	2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit/(loss) before taxation	4	3,034	(90,675)
Taxation	6	45	(175)
Profit/(loss) for the period		3,079	(90,850)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(5,367)	(1,616)
Reclassification adjustments for a foreign operation disposed of during the period		13,965	–
Other comprehensive income for the period		8,598	(1,616)
Total comprehensive income for the period		11,677	(92,466)
Profit/(loss) for the period attributed to:			
Owners of the Company		3,239	(90,453)
Non-controlling interests		(160)	(397)
		3,079	(90,850)
Total comprehensive income for the period attributable to:			
Owners of the Company		11,841	(91,678)
Non-controlling interests		(164)	(788)
		11,677	(92,466)
Earnings/(loss) per share			
– Basic (HK cents)	8	0.14	(4.32)
– Diluted (HK cents)		0.13	(4.32)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2017	30 June 2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	9	93,643	98,955
Investment properties	10	279,405	259,889
Prepaid lease payments for land		110,476	49,338
Intangible assets	11	624,253	624,357
Prepayments for acquisition of a subsidiary and property, plant and equipment		697	29,464
Other assets		200	200
Interests in associates		122,480	112,670
Interests in joint ventures		30,160	30,184
		<hr/>	<hr/>
Total non-current assets		1,261,314	1,205,057
Current assets			
Inventories		22,417	26,207
Debtors, other loans and receivables, deposits and prepayments	12	254,497	221,203
Bills receivable	13	8,433	12,507
Financial assets at fair value through profit or loss	15	54,798	54,935
Prepaid lease payments for land		2,971	1,671
Bank balances held on behalf of brokerage clients		7,196	10,147
Bank balances and cash		151,185	61,987
		<hr/>	<hr/>
		501,497	388,657
Assets of a disposal group classified as held for sale	19	–	134,728
		<hr/>	<hr/>
Total current assets		501,497	523,385
Current liabilities			
Creditors, other advances and accrued charges	16	81,966	70,612
Derivative financial liabilities	14	298	76
Borrowings	17	127,633	97,904
Promissory notes	18	24,944	23,871
Taxation		54	113
		<hr/>	<hr/>
		234,895	192,576
Liabilities of a disposal group classified as held for sale	19	–	21,742
		<hr/>	<hr/>

		31 December	30 June
		2017	2017
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Total current liabilities		<u>234,895</u>	<u>214,318</u>
Net current assets		<u>266,602</u>	<u>309,067</u>
Total assets less current liabilities		<u>1,527,916</u>	<u>1,514,124</u>
Non-current liabilities			
Deferred tax liabilities		<u>46,025</u>	<u>44,264</u>
Total non-current liabilities		<u>46,025</u>	<u>44,264</u>
Total net assets		<u>1,481,891</u>	<u>1,469,860</u>
EQUITY			
Capital and reserves			
Share capital	20	23,522	23,512
Reserves		<u>1,466,917</u>	<u>1,454,732</u>
Equity attributable to owners of the Company		1,490,439	1,478,244
Non-controlling interests		<u>(8,548)</u>	<u>(8,384)</u>
Total equity		<u>1,481,891</u>	<u>1,469,860</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Statutory reserve fund HK\$'000	Property revaluation reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 July 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)
Other comprehensive income	-	-	-	(1,225)	-	-	-	-	(1,225)	(391)	(1,616)
Total comprehensive income for the period	-	-	-	(1,225)	-	-	-	(90,453)	(91,678)	(788)	(92,466)
Placements of new shares (Note 20)	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)	<u>23,512</u>	<u>1,816,745</u>	<u>612,360</u>	<u>(16,403)</u>	<u>4,866</u>	<u>64,303</u>	<u>17,919</u>	<u>(1,068,403)</u>	<u>1,454,899</u>	<u>8,158</u>	<u>1,463,057</u>
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Statutory reserve fund HK\$'000	Property revaluation reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2017 (Audited)	23,512	1,816,745	612,360	(15,486)	4,866	66,475	17,919	(1,048,147)	1,478,244	(8,384)	1,469,860
Profit/(loss) for the period	-	-	-	-	-	-	-	3,239	3,239	(160)	3,079
Other comprehensive income	-	-	-	8,602	-	-	-	-	8,602	(4)	8,598
Total comprehensive income for the period	-	-	-	8,602	-	-	-	3,239	11,841	(164)	11,677
Exercise of share options (Note 22)	10	505	-	-	-	-	(161)	-	354	-	354
Lapse of share options (Note 22)	-	-	-	-	-	-	(2,284)	2,284	-	-	-
At 31 December 2017 (Unaudited)	<u>23,522</u>	<u>1,817,250</u>	<u>612,360</u>	<u>(6,884)</u>	<u>4,866</u>	<u>66,475</u>	<u>15,474</u>	<u>(1,042,624)</u>	<u>1,490,439</u>	<u>(8,548)</u>	<u>1,481,891</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	For the six months ended	
	31 December	31 December
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(44,722)	(59,470)
Net cash used in investing activities	(36,224)	(4,405)
Net cash generated from financing activities	164,128	28,398
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	83,182	(35,477)
Cash and cash equivalents at beginning of the period	72,134	181,247
Effect of foreign exchange rate changes	3,065	3,467
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	158,381	149,237
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	158,381	149,237
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

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 2017. 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 2017.

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 2017, 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 2016 and 31 December 2017, 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 2017 (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	96,950	91,787	-	6,258	5,235	200,230	-	200,230
Inter-segment revenue	-	14,371	-	-	-	14,371	(14,371)	-
Reportable segment revenue	<u>96,950</u>	<u>106,158</u>	<u>-</u>	<u>6,258</u>	<u>5,235</u>	<u>214,601</u>	<u>(14,371)</u>	<u>200,230</u>
Reportable segment profit/(loss)	<u>2,533</u>	<u>(9,775)</u>	<u>(129)</u>	<u>13,462</u>	<u>(1,541)</u>	<u>4,550</u>	<u>3,526</u>	<u>8,076</u>
Finance costs	(1,584)	(1,380)	(167)	-	-	(3,131)	-	(3,131)
Change in fair value of derivative financial instruments	-	(845)	-	-	-	(845)	-	(845)
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	-	-	-	-	546	546	-	546
Change in fair value of investment properties	2,200	-	-	8,464	-	10,664	-	10,664
Change in fair value of profit guarantee	-	-	-	-	(5,880)	(5,880)	-	(5,880)
Share of results of joint ventures	-	-	-	-	(88)	(88)	-	(88)
Depreciation of property, plant and equipment								
- allocated	(3,123)	(2,919)	-	(868)	(116)	(7,026)	-	(7,026)
- unallocated								(1,458)
Taxation	-	-	45	-	-	45	-	45

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	<u>79,774</u>	<u>135,886</u>	<u>29,165</u>	<u>8,171</u>	<u>6,214</u>	<u>259,210</u>	<u>(11,586)</u>	<u>247,624</u>
Reportable segment (loss)/profit	<u>(23,161)</u>	<u>(13,360)</u>	<u>(824)</u>	<u>17,405</u>	<u>(29,511)</u>	<u>(49,451)</u>	<u>-</u>	<u>(49,451)</u>
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 and loss on disposal of financial assets at fair value through profit or loss, net	-	-	-	-	(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)

As at 31 December 2017 (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	251,229	298,028	22,018	218,905	381,518	1,171,698
Additions to non-current assets	460	3,080	-	-	3	3,543
Reportable segment liabilities	103,005	79,311	10,000	6,339	10,133	208,788

As at 30 June 2017 (audited)

	Cables and wires <i>HK\$'000</i>	Copper rods <i>HK\$'000</i>	Metallurgical grade bauxite <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	231,970	190,115	22,022	205,996	331,470	981,573
Additions to non-current assets	6,168	2,984	466	–	15,409	25,027
Reportable segment liabilities	76,021	66,081	–	4,659	20,395	167,156

(b) Reconciliation of reportable segment profit or loss

	For the six months ended 31 December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit/(loss) before taxation		
Reportable segment profit/(loss)	8,076	(49,451)
Unallocated corporate income	10,255	17
Unallocated finance costs	(1,073)	(7,219)
Unallocated share-based payment expenses	–	(17,919)
Unallocated corporate expenses	(14,224)	(16,103)
	3,034	(90,675)

(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	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
PRC	150,685	193,539
Americas	10,089	14,988
Europe	16,617	20,587
Hong Kong	15,485	12,675
Other regions	7,354	5,835
	200,230	247,624

4. PROFIT/(LOSS) BEFORE TAXATION

This has been arrived at after charging:

	For the six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	8,484	10,803
Provision made for inventories	472	444
Charge of prepaid lease payments for land	1,174	884
	<u>11,130</u>	<u>22,131</u>

5. FINANCE COSTS

	For the six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on borrowings	3,131	3,920
Imputed interest on promissory notes	1,073	7,219
	<u>4,204</u>	<u>11,139</u>

6. TAXATION

	For the six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – other jurisdictions		
Tax for the period	–	175
Over-provision for the prior periods	(45)	–
	<u>(45)</u>	<u>175</u>

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

7. DIVIDEND

The directors do not recommend the payment of any dividend for the six months ended 31 December 2017 (six months ended 31 December 2016: HK\$Nil).

8. EARNINGS/(LOSS) PER SHARE

a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share amounts for the six months ended 31 December 2017 is based on the profit/(loss) for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the period.

<i>Profit/(loss)</i>	For the six months ended	
	31 December	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company for the purpose of basic earnings/(loss) per share	3,239	(90,453)
	2,351,549,280	2,095,481,630
	2,351,549,280	2,095,481,630

b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share amounts for the six months ended 31 December 2017 is based on the profit/(loss) for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the period, assuming that all potentially dilutive securities were exercised.

<i>Profit/(loss)</i>	For the six months ended	
	31 December	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company for the purpose of diluted earnings/(loss) per share	3,239	(90,453)
	2,351,549,280	2,095,481,630
	2,351,549,280	2,095,481,630
	97,380,000	–
	2,448,929,280	2,095,481,630
	2,448,929,280	2,095,481,630

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 were 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.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2017, the Group purchased property, plant and equipment of HK\$3,543,000 (six months ended 31 December 2016: HK\$20,887,000). In addition, no property, plant and equipment was disposed of by the Group for the six months ended 31 December 2016 and 2017.

As at 30 June 2017, property, plant and equipment with carrying value of HK\$578,000 was transferred to assets of a disposal group classified as held for sale. During the six months ended 31 December 2017, these property, plant and equipment were disposed of.

10. INVESTMENT PROPERTIES

	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Fair value:		
At the beginning of period/year	259,889	348,856
Transferred from property, plant and equipment and prepaid lease payments for land	–	8,016
Fair value gains, net	10,664	34,191
Classified as held for sale	(349)	(127,275)
Currency realignment	9,201	(3,899)
	<u>279,405</u>	<u>259,889</u>
At end of period/year	279,405	259,889

The Group's investment properties were valued at 31 December 2017 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\$10,664,000 during the current period (six months ended 31 December 2016: gain of HK\$13,297,000).

Direct operating expenses arising on the investment properties during the period amounted to HK\$99,000 (six months ended 31 December 2016: HK\$105,000).

11. INTANGIBLE ASSETS

	Mining right HK\$'000	Trading right HK\$'000	Goodwill HK\$'000	Total HK\$'000
COST:				
At 1 July 2017 (Audited)	1,168,048	630	57,570	1,226,248
Exchange realignments	(106)	–	–	(106)
	<u>1,167,942</u>	<u>630</u>	<u>57,570</u>	<u>1,226,142</u>
At 31 December 2017 (Unaudited)				
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:				
At 1 July 2017 (Audited)	601,891	–	–	601,891
Exchange realignments	(2)	–	–	(2)
	<u>601,889</u>	<u>–</u>	<u>–</u>	<u>601,889</u>
At 31 December 2017 (Unaudited)				
NET CARRYING AMOUNT:				
At 31 December 2017 (Unaudited)	<u>566,053</u>	<u>630</u>	<u>57,570</u>	<u>624,253</u>
At 30 June 2017 (Audited)	<u>566,157</u>	<u>630</u>	<u>57,570</u>	<u>624,357</u>

Mining right

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

Trading right

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 2017, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of approximately HK\$54,664,000 (30 June 2017: HK\$51,692,000).

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

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

	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Within 30 days	25,033	31,661
31 – 60 days	15,530	10,969
61 – 90 days	10,278	7,366
Over 90 days	3,823	1,696
	<u>54,664</u>	<u>51,692</u>

- (iii) At 31 December 2017, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to approximately HK\$5,509,000 (30 June 2017: HK\$5,985,000) 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 2017 and 30 June 2017, 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 liabilities at 31 December 2017 as provided by the banks or financial institutions amounted to approximately and HK\$298,000 (30 June 2017: derivative financial liabilities of approximately HK\$76,000). 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 loss on change in fair value of derivative financial instruments of approximately HK\$845,000 (six months ended 31 December 2016: gain of HK\$1,277,000) has been recognised in the profit or loss during the period. All of these derivative financial instruments are not designated as hedging instruments.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Equity securities held for trading and listed in Hong Kong	<u>54,798</u>	<u>54,935</u>

The fair values of the equity securities are determined based on the quoted market prices. During the period, a gain on change in fair value of HK\$657,000 (six months ended 31 December 2016: loss of HK\$20,088,000) and a net loss on disposal of HK\$111,000 (six months ended 31 December 2016: HK\$ Nil) were recognised in profit or loss.

16. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

At 31 December 2017, included in the Group's creditors, other advances and accrued charges were trade creditors of HK\$35,523,000 (30 June 2017: HK\$38,463,000).

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

	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Within 30 days	19,075	24,916
31 – 60 days	8,854	7,332
61 – 90 days	799	1,175
Over 90 days	6,795	5,040
	<u>35,523</u>	<u>38,463</u>

17. BORROWINGS

During the six months ended 31 December 2017, the Group raised new borrowings of HK\$25,289,000 (six months ended 31 December 2016: HK\$118,458,000) to provide for additional working capital; made repayment of HK\$Nil (six months ended 31 December 2016: HK\$133,516,000). The borrowings of HK\$117,633,000 of the Group are secured. All borrowings are due within one year and carried at average effective interest rates ranging from 5.66% to 10% (30 June 2017: 5.66% to 6.96%) 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:

	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
At the beginning of the period/year	23,871	96,900
Imputed interest on promissory notes	1,073	8,782
Redemption on promissory notes	–	(79,000)
Interest paid	–	(2,811)
	<u>24,944</u>	<u>23,871</u>

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

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 30 June 2017, the Disposal Group does not constitute a discontinued operation as it does not represent a major line of business or geographical area of operation.

The following major classes assets and liabilities relating to the Disposal Group have been classified as held for sale in the consolidated statement of financial position as at 30 June 2017.

	30 June 2017 <i>HK\$'000</i>
Property, plant and equipment	578
Investment properties	127,275
Debtors, other loans and receivables, deposits and repayments	877
Bank balances and cash	<u>5,998</u>
Assets of a disposal group classified as held for sale	<u><u>134,728</u></u>
Creditors, other advances and accrued charges	(2,052)
Deferred tax liabilities	<u>(19,690)</u>
Liabilities of a disposal group classified as held for sale	<u><u>(21,742)</u></u>

On 24 August 2017, the disposal of equity interest in the Disposal Group has been completed.

	<i>HK\$'000</i>
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	549
Investment properties	131,482
Debtors, other loans and receivables, deposits, and prepayments	15,688
Bank balances and cash	1,515
Creditors, other advances and accrued charges	(2,052)
Deferred tax liabilities	<u>(19,911)</u>
Net assets disposed of	127,271
Cumulative exchange differences in respect of the net assets of the Disposal Group reclassified from equity to profit or loss on loss of control of the Disposal Group	13,965
Loss on disposal	<u>(1,236)</u>
Total consideration	<u><u>140,000</u></u>
Net cash inflow arising on disposal:	
Consideration received in cash	140,000
Less: Cash and bank balances disposed of	<u>(1,515)</u>
	<u><u>138,485</u></u>

20. SHARE CAPITAL

	Number of shares		Share capital	
	31 December 2017 '000 (Unaudited)	30 June 2017 '000 (Audited)	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Ordinary shares of HK\$0.01 each:				
Authorised	50,000,000	50,000,000	500,000	500,000
Issued and fully paid:				
At beginning of the period/year	2,351,232	1,959,372	23,512	19,594
Placements of new shares (<i>Note</i>)	–	391,860	–	3,918
Issue of shares on exercise of share options (<i>Note 22</i>)	1,000	–	10	–
At end of the period/year	2,352,232	2,351,232	23,522	23,512

Note:

During the year ended 30 June 2017, an aggregate number of 391,860,000 new ordinary shares of par value of HK\$0.01 each were issued at subscription prices 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 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of:		
Plant and machinery	–	852

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.

No share options were granted during the six months ended 31 December 2017 (six months ended 31 December 2016: 113,380,000). No equity-settled share-based payment was recognised in profit or loss accordingly (six months ended 31 December 2016: HK\$17,919,000). During the six months ended 31 December 2017, 1,000,000 and 15,000,000 share options were exercised and lapsed respectively. As at 31 December 2017, the Company had 97,380,000 share options outstanding under the Scheme (30 June 2017: 113,380,000).

23. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel of the Group

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

24. PLEDGE OF ASSETS

As at 31 December 2017, 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\$156,770,000 (30 June 2017: HK\$274,265,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board announced that for the six months ended 31 December 2017 (the “**period under review**”), the total turnover of the Group was approximately HK\$200,230,000, representing a decrease of 19.1% as compared to approximately HK\$247,624,000 recorded for the corresponding period last year. During the period under review, profit attributable to the owners of the Company was approximately HK\$3,239,000, as compared to loss attributable to the owners of the Company of approximately HK\$90,453,000 for the corresponding period last year. Earnings per share for the period under review was approximately HK0.14 cents (Loss per share for 2016/17 interim: HK4.32 cents).

The Board has resolved not to recommend the payment of any interim dividend for the year ending 30 June 2018 (2016/17 interim: Nil).

BUSINESS REVIEW

The Group’s turnover for the period under review was approximately HK\$200,230,000, representing a decrease of 19.1% as compared to approximately HK\$247,624,000 for the same period of last year. By business segments, the turnover of the cables and wires business was approximately HK\$96,950,000, representing an increase of 21.5% as compared to approximately HK\$79,774,000 for the same period of last year and accounted for 48.4% of the Group’s total turnover. Turnover of the copper rod business was approximately HK\$91,787,000, representing a decrease of 26.2% as compared to approximately HK\$124,300,000 for the same period of last year and accounted for 45.9% of the Group’s total turnover. Turnover of the metallurgical grade bauxite trading business was nil, as compared to approximately HK\$29,165,000 for the same period of last year. Turnover of the leasing business was approximately HK\$6,258,000, representing a decrease of 23.4% as compared to approximately HK\$8,171,000 for the same period of last year and accounted for 3.1% of the Group’s total turnover. Turnover of other business was approximately HK\$5,235,000 and accounted for 2.6% of the Group’s total turnover, as compared to approximately HK\$6,214,000 for the same period of last year.

By geographical market segments, turnover from the business in the Americas decreased by 32.7% to approximately HK\$10,089,000 from approximately HK\$14,988,000 for the same period of last year, accounting for 5.0% of the Group’s total turnover. Turnover from the business in Mainland China and Hong Kong decreased by 19.4% to approximately HK\$166,170,000 from approximately HK\$206,214,000 for the same period of last year, accounting for 83.0% of the Group’s total turnover. Turnover from the business in Europe decreased by 19.3% to approximately HK\$16,617,000 from approximately HK\$20,587,000 for the same period of last year, accounting for 8.3% of the Group’s total turnover. Turnover from the business in other regions increased by 26.0% to approximately HK\$7,354,000 from approximately HK\$5,835,000 for the same period of last year, accounting for 3.7% 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\$96,950,000, representing an increase of 21.5% as compared to approximately HK\$79,774,000 for the same period of last year. The major customers are primarily manufacturers of white household appliances. During the period under review, the economy in Mainland China and the global economy continued to recover and the operating conditions in the manufacturing industry has further improved. The Group has been proactively monitoring the development of the global market as well as the upcoming policies in Mainland China, and has carried out research and adjustments accordingly to adopt appropriate market strategies.

Copper Rod Business

The copper rod business comprises the manufacturing and trading of copper rods and copper wires and their related products. During the period under review, the turnover of the copper rod business was approximately HK\$91,787,000, representing a decrease of 26.2% as compared to approximately HK\$124,300,000 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. International copper prices continued to recover during the period under review and the 3-month London Metal Exchange copper price increased from approximately US\$5,900 at the beginning of the period under review to approximately US\$7,200 at the end of the period under review. As the increase in copper price only allows certain major upstream copper companies to lower their copper rod processing fees to attract clients, operating environment for the copper rod business continues to worsen. After considering the cost efficiency of the business, the Group re-deployed resources to focus on the copper wires trading business.

Metallurgical Grade Bauxite Trading Business

For the period under review, the metallurgical grade bauxite trading business did not record any turnover. Commodities for this business were mainly imported from Malaysia and the local authorities in Malaysia has issued a suspension order on bauxite mining at the beginning of 2016, which was further extended to mid-2018, in order to regulate mining operations and alleviate water pollution problems. The Group expects that the above factors will continue to adversely impose on the prospects of the business.

Rental Income

During the period under review, rental income was approximately HK\$6,258,000, representing a decrease of approximately 23.4% as compared to approximately HK\$8,171,000 for the same period of last year. Investment properties of the Group include a plant property in Qiaozi, a factory property in Shanghai Qingpu District, a residential property in Dongguan Changping Town and an industrial property in Kowloon Bay.

On 24 August 2017, the Group completed the disposal of the entire issued share capital of China Glory Management Limited (which holds Santai Industrial Zone indirectly). The details of the disposal were set out in the Company's announcements dated 16 October 2016 and 24 August 2017 and disclosed in the Company's 2017 annual report.

Mining

The Group's mineral resources are concentrated in Dundgobi Aimag and Bayan-Ulgii Aimag, Mongolia. During the period under review, the State of Mongolia held a presidential election and elected a new prime minister and a new cabinet. The election was a match between the Democratic Party (DP) and the Mongolian People's Party (MPP), the result of which will aggravate polarisation of bipartisan power struggles and incur more instabilities in the Mongolian political climate. The impact of a new Mongolian government on the economic development of Mongolia and its appeal to foreign investors going forward will remain to be seen. During the period under review, the Group adjusted its investment plan for Mongolia accordingly and adopted a more prudent approach. Apart from the necessary work to maintain mining rights, no large scale capital investment was made during the period under review.

Securities Business

The performance of the securities business during the period under review was sluggish, with turnover of approximately HK\$5,235,000, representing a decrease of approximately 15.8% as compared to approximately HK\$6,214,000 for the same period of last year. For the period under review, while the sentiment in the Hong Kong stock market was recovering, there was fierce competition in the industry with competitors lowering their brokerage fee in order to attract clients. The Group has also reduced its brokerage fee in line with the market to retain clients, resulting in a lower turnover than expected.

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 advertisement company based on media agency, column placement, media delivery and advertisements design and providing advertising and media related services for clients with famous brands in beverage, IT and motor industries. During the period under review, despite the gradual recovery of the PRC economy, some sectors like the industrial and cosmetics sectors significantly reduced their budgets on advertisements. Given the fast-changing market, the advertisement companies do not know their clients as well as their clients do themselves. As a result, some of the clients prefer to carry out marketing dissemination on their own. The Group expects that the aforementioned factors will adversely impact on the prospect of the advertising industry.

Land Development in Lianjiang

On 17 July 2017, the Group completed the acquisition of 80% of the registered capital of Lianjiang Zhou's Marble Limited (廉江市周氏石材有限公司) (the English name for identification purpose only) (“**Zhou's Marble**”). Upon the completion of the acquisition, Zhou's Marble has become an indirect subsidiary of the Company. Zhou's Marble is principally engaged in the business of processing and trading of marble related products.

Zhou's Marble won the bid for two lands with approximately 114,000 sq.m. (approximately 170 mu) in aggregate in Lianjiang, Guangdong Province in September 2017. The lands are now under development with some basic infrastructure works including access to water, electricity and roads as well as land formation, which are expected to be completed in March 2018. The Group is actively preparing to establish a stone industry processing and trading base on the lands in Lianjiang. Lianjiang is located in the Guangdong-Hong Kong-Macao Greater Bay Area. Such development project is one of the key projects in Lianjiang, which is expected to generate new income for the Group and diversify the business of the Group.

PROSPECTS

The Group has been devoting substantial effort on the restructuring of the cables and wires business over the past two years, which involved consolidating of plants and acquiring automatic machinery and equipment to enhance efficiency and reduce cost. This has achieved positive results during the period under review. The cables and wires business stabilised with significant improvements in terms of sales and gross profit during the period under review. The Group will pay close attention to the changing market conditions and review consolidation proposals for the cables and wires business with the aim of strengthening its market position and enhancing its profitability in the cables and wires business.

As the PRC economy is gradually recovering and weak US dollar leads to RMB appreciation, the Group expects that RMB appreciation will boost the profit margin of the cables and wires business.

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 for sustainable development of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had approximately 500 employees in Hong Kong, the People's Republic of China (“**PRC**”) and overseas (30 June 2017: 600). 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 2017, the Group implemented a prudent financial management policy. As at 31 December 2017, the Group had cash and bank balances amounting to approximately HK\$151 million (30 June 2017: HK\$62 million) and value of net current assets was approximately HK\$267 million (30 June 2017: HK\$309 million). The Group's gearing ratio as at 31 December 2017 was 0.10 (30 June 2017: 0.08), being a ratio of total borrowings and the promissory note of approximately HK\$153 million (30 June 2017: HK\$122 million) to shareholders' funds of approximately HK\$1,490 million (30 June 2017: HK\$1,478 million).

EXCHANGE RISKS

The cash and cash equivalents of the Group are mainly denominated in Hong Kong dollars, United States dollars and Renminbi. The majority of the Group's operations are located in the PRC. The Company continues to pay regular and active attention to fluctuations in the Renminbi exchange rate and any exchange risks.

CHARGES ON GROUP ASSETS

As at 31 December 2017, the Group had pledged investment properties with an aggregate net book value of approximately HK\$157 million (30 June 2017: HK\$274 million) to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2017, the Company had issued guarantees to the extent of approximately HK\$10 million (30 June 2017: Nil) to a Hong Kong licensed money lender (who is an independent third party) to secure the loan of approximately HK\$10 million (30 June 2017: Nil) granted to its subsidiary.

Save as disclosed above, as at 31 December 2017, the Company had not issued guarantees to banks to secure general banking facilities granted to its subsidiaries (30 June 2017: Nil).

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 2017 and the changes in fair value were charged to the income statement. The net loss of the Derivative Financial Instruments for the period under review was approximately HK\$845,000 (2016/17 interim: net gain of HK\$1,277,000).

CAPITAL STRUCTURE

Placing of New Shares under the Refreshed General Mandate

On 9 November 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 391,860,000 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\$0.30 per placing share (the “**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 of Hong Kong Limited (the “**Stock Exchange**”) was HK\$0.365 per share on 9 November 2016, which was the date on which the terms of the Placing were fixed. The Placing was completed on 25 November 2016. The 391,860,000 placing shares placed under the Placing were issued under the Refreshed General Mandate (as defined in the below paragraph) which was granted to the Directors at the special general meeting held on 14 July 2016 (the “**July 2016 SGM**”). The gross and net proceeds from the 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 per Share.

At the July 2016 SGM, the Refreshment of the General Mandate was approved by the shareholders of the Company (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 utilisation of the net proceeds from the Placing as at 31 December 2017 are summarised as follows:

Intended use of net proceeds from the Placing	Actual use of net proceeds from the Placing
– Approximately HK\$35 million for redemption of the promissory note (which was issued on 16 May 2016);	– approximately HK\$35 million was utilised for redemption the promissory note (which was issued on 16 May 2016);
– 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; and
– Approximately HK\$45.4 million for general working capital of the Group	– approximately HK\$45.4 million was utilised for general working capital of Hong Kong office and the PRC operations of the Group.

The details of the Placing were set out in the announcements of the Company dated 9 November 2016 and 25 November 2016 and were disclosed in the Company's 2017 Annual Report.

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**"), pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire issued share capital of China Glory Management Limited (the "**Target Company**") at a cash consideration of HK\$140,000,000 (the "**Disposal**").

The Purchaser 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 holds the entire issued share capital of Santai Electronics Company Limited (the "**HK Company**"), which holds the entire interest in Dongguan Santai Electronics Company Limited (東莞三泰電器有限公司) (the English name for identification purpose only) (the "**Operating Company**") (the Target Company, the HK Company and the Operating Company are collectively referred to 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, having a site area of approximately 72,292 square meters and an industrial complex with a total gross floor area of approximately 91,095 square meters erected thereon (the "**Land**").

The consideration of HK\$140,000,000 (the "**Consideration**") was determined after arm's length negotiation between the Purchaser 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 the Disposal; and (d) other factors as set out in the paragraph headed "Reasons and Benefits for the Disposal" in the announcement of the Company dated 16 October 2016. The Company intends to apply the net proceeds from the Disposal for repayment of bank loans and as general working capital for the Group.

As certain applicable percentage ratios of the Disposal exceeds 5% but are less than 25%, the Disposal 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.

On 24 August 2017, the Company announced that all the conditions of the Disposal had been satisfied or waived by the Purchaser and completion of the Disposal took place on 24 August 2017. Following the completion of the Disposal, (i) the Vendor ceased to have any interest in the Target Group; and (ii) all members of the Target Group ceased to be subsidiaries of the Company.

The details and completion of the Disposal were set out in the announcements of the Company dated 16 October 2016 and 24 August 2017 and were disclosed in the Company's 2017 Annual Report and in Note 19 to the condensed consolidated financial statements.

ACQUISITION OF 80% OF THE REGISTERED CAPITAL OF LIANJIANG ZHOU'S MARBLE LIMITED

On 2 March 2017, Dongguan Hua Lin Real Estate Investment Development Limited (東莞市華麟房地產投資開發有限公司) (the English name for identification purpose only) ("**Dongguan Hua Lin**"), an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreements (the "**Agreements**") with the shareholders of Zhou's Marble. Pursuant to the Agreements, Dongguan Hua Lin agreed to acquire 80% of the registered capital of Zhou's Marble at a consideration of RMB25,000,000 (approximately HK\$28,200,000) (the "**Acquisition**"). Zhou's Marble is principally engaged in the business of processing and trading of marble related products.

The sellers are third parties independent of each of the Company, its subsidiaries and its connected persons (as defined under the Listing Rules).

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition less than 5%, the Acquisition does not a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore not subject to the reporting and announcement requirements under the Listing Rules.

Completion of the Acquisition took place on 17 July 2017. Following the completion of the Acquisition, Zhou's Marble has become a direct subsidiary of Dongguan Hua Lin and an indirect non-wholly subsidiary of the Company.

The details and completion of the Acquisition were disclosed in the Company's 2017 Annual Report.

SIGNIFICANT INVESTMENT

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

SHARE OPTIONS

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 December 2012, the Company 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 and a summary of the Share Option Scheme was set out in the Company’s 2017 Annual Report.

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.

The exercise price of the Options granted is HK\$0.355 per Share, which represents the highest of (i) the closing price of HK\$0.350 per Share as stated in the Stock Exchange’s daily quotation sheet on the Date of Grant; (ii) the average closing price of HK\$0.355 per Share as stated in the Stock Exchange’s daily quotation sheets for the 5 trading days immediately preceding the Date of Grant; and (iii) the nominal value of HK\$0.01 per Share.

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 and were disclosed in the Company’s 2017 Annual Report.

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

Name or category of participants	Date of grant	Exercisable period	Exercise price HK\$ Note (1)	Number of Share Options					Outstanding at 31 December 2017
				Outstanding at 1 July 2017	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Directors									
Chau Lai Him	7 October 2016	14 October 2016 to 6 October 2018	0.355	18,580,000	-	-	-	-	18,580,000
Zhou Jin Hua	7 October 2016	14 October 2016 to 6 October 2018	0.355	17,000,000	-	-	-	-	17,000,000
Liu Dong Yang	7 October 2016	14 October 2016 to 6 October 2018	0.355	17,000,000	-	-	-	-	17,000,000
Chau Chi Ho	7 October 2016	14 October 2016 to 6 October 2018	0.355	17,000,000	-	-	-	-	17,000,000
Chung Kam Kwong	7 October 2016	14 October 2016 to 6 October 2018	0.355	1,000,000	-	(1,000,000)	-	-	-
Lo Wai Ming	7 October 2016	14 October 2016 to 6 October 2018	0.355	1,000,000	-	-	-	-	1,000,000
Lo Chao Ming	7 October 2016	14 October 2016 to 6 October 2018	0.355	1,000,000	-	-	-	-	1,000,000
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	-	-	-	(15,000,000)	18,500,000
				<u>113,380,000</u>	<u>-</u>	<u>(1,000,000)</u>	<u>-</u>	<u>(15,000,000)</u>	<u>97,380,000</u>

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 2017, the interest of the Directors and their associates in the Shares, underlying shares or debentures of the Company or any of the Company's associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register kept under section 352 of the SFO, or

as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors set out in Appendix 10 to the Listing Rules (the “**Model Code**”) were, as follows:

Long position in the Shares of the Company

Name of Director	Number of issued ordinary Shares beneficially held	Percentage of the issued share capital of the Company
Chung Kam Kwong	1,000,000	0.04%

Other than as disclosed above, as at 31 December 2017, 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 SFO), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as is known to the Directors and chief executives of the Company, as at 31 December 2017, 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 2017.

COMPLIANCE WITH THE CODE PROVISIONS

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

Code provision A.2.1

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

During the period under review, Mr. Chau Lai Him acted as the Chairman and the Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive experience in the cable and wire industry and the mining industry. Mr. Chau is responsible for the

effective running of the Board and for formulating business strategies. The Directors believe that it is in the best interests of the Group to have Mr. Chau continue to be both the Chairman and the Managing Director of the Company and that the current management structure has been effective for the development of the Group and implementation of business strategies under the leadership of Mr. Chau.

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

Code provision A.4.1

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

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

Code provision A.4.3

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

Mr. Chung Kam Kwong has been an independent non-executive Director of the Company for more than nine years since 1 March 2003. In accordance with the Bye-laws of the Company, Mr. Chung retired from office by rotation at the 2016 annual general meeting of the Company held on 2 December 2016 (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 2017 annual general meeting of the Company held on 8 December 2017 (the "**2017 AGM**") and offered himself for re-election at the 2017 AGM. An ordinary resolution was passed at the 2017 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 annual general meeting of the Company held on 22 December 2015 (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. It has adopted terms of reference which are in line with the Code provisions.

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 SAR, 27 February 2018

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.