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## SOLARTECH INTERNATIONAL HOLDINGS LIMITED

星凱控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1166)

### 2016/2017 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the “**Directors**” or “**Board**”) of Solartech International Holdings Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 30 June 2017 together with last year’s comparative figures, as follows:

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

FOR THE YEAR ENDED 30 JUNE 2017

|   | Notes   | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|---------|------------------|------------------|
| Turnover  | 3 and 4 | 442,522          | 740,979          |
| Cost of sales   |         | (405,975)        | (691,306)        |
| Gross profit  |         | 36,547           | 49,673           |
| Interest income   |         | 3,560            | 2,704            |
| Other income and gains  |         | 3,122            | 3,482            |
| General and administrative expenses   |         | (137,927)        | (134,717)        |
| Selling and distribution expenses   |         | (9,507)          | (15,241)         |
| Finance costs   | 6       | (16,091)         | (11,459)         |
| Change in fair value of derivative financial instruments, net   |         | 1,506            | (5,791)          |
| Change in fair value of investment properties, net  | 10      | 34,191           | 48,008           |
| Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net |         | (28,667)         | (8,191)          |
| Change in fair value of profit guarantee  |         | (7,620)          | (90)             |
| Impairment loss for doubtful debts, net   |         | (8,446)          | (3,336)          |
| Reversal of impairment loss/(impairment loss) on intangible assets                                      | 12      | 84,961           | (193,650)        |
| Impairment loss on property, plant and equipment  |         | (23,351)         | —                |
| Loss on disposal of a subsidiary  | 20      | (1,017)          | —                |
| Share of results of associates  |         | 2,350            | (18)             |
| Share of results of joint ventures  |         | (5,354)          | (3,394)          |
| Loss before taxation  | 5       | (71,743)         | (272,020)        |
| Taxation  | 7       | (7,166)          | (4,981)          |
| <b>Loss for the year</b>  |         | <b>(78,909)</b>  | <b>(277,001)</b> |

\* For identification purposes only

|  | <i>Note</i> | <b>2017</b><br><b>HK\$'000</b> | 2016<br>HK\$'000        |
|--|-------------|--------------------------------|-------------------------|
| <b>Other comprehensive income:</b>   |             |                                |                         |
| <i>Items that will not be reclassified subsequently to profit or loss</i>  |             |                                |                         |
| Surplus on transfer from prepaid lease payments for land and property, plant and equipment to investment properties, net of deferred tax |             | <b>2,172</b>                   | 6,181                   |
| <i>Items that may be reclassified subsequently to profit or loss</i>   |             |                                |                         |
| Exchange differences on translation of foreign operations  |             | <b>(2,034)</b>                 | 4,544                   |
| Share of other comprehensive income of associates  |             | <b>(152)</b>                   | —                       |
| Reclassification adjustment on exchange differences for a foreign operation disposed of during the year                                  |             | <b>1,689</b>                   | —                       |
|  |             | <u>1,675</u>                   | <u>10,725</u>           |
| Other comprehensive income for the year  |             | <b>1,675</b>                   | 10,725                  |
| <b>Total comprehensive income for the year</b>   |             | <b><u>(77,234)</u></b>         | <b><u>(266,276)</u></b> |
| Loss attributable to:  |             |                                |                         |
| Owners of the Company  |             | <b>(70,197)</b>                | (274,945)               |
| Non-controlling interests  |             | <b>(8,712)</b>                 | (2,056)                 |
|  |             | <u><b>(78,909)</b></u>         | <u>(277,001)</u>        |
| Total comprehensive income attributable to:  |             |                                |                         |
| Owners of the Company  |             | <b>(68,333)</b>                | (263,528)               |
| Non-controlling interests  |             | <b>(8,901)</b>                 | (2,748)                 |
|  |             | <u><b>(77,234)</b></u>         | <u>(266,276)</u>        |
|  |             |                                | (Restated)              |
| Loss per share:  |             |                                |                         |
| – Basic and diluted (HK\$)   | 9           | <b><u>(0.03)</u></b>           | <b><u>(0.15)</u></b>    |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 30 JUNE 2017*

|  | <i>Notes</i> | <b>2017</b><br><b><i>HK\$'000</i></b> | 2016<br><i>HK\$'000</i> |
|--|--------------|---------------------------------------|-------------------------|
| <b>Non-current assets</b>  |              |                                       |                         |
| Property, plant and equipment  |              | <b>98,955</b>                         | 124,540                 |
| Investment properties  | <i>10</i>    | <b>259,889</b>                        | 348,856                 |
| Prepaid lease payments for land  | <i>11</i>    | <b>49,338</b>                         | 53,701                  |
| Intangible assets  | <i>12</i>    | <b>624,357</b>                        | 539,948                 |
| Prepayments for acquisition of a subsidiary and property,<br>plant and equipment | <i>13</i>    | <b>29,464</b>                         | 20,075                  |
| Other assets   |              | <b>200</b>                            | 13,700                  |
| Interests in associates  | <i>14</i>    | <b>112,670</b>                        | 110,472                 |
| Interests in joint ventures  | <i>15</i>    | <b>30,184</b>                         | 35,346                  |
|  |              | <hr/>                                 | <hr/>                   |
| Total non-current assets   |              | <b>1,205,057</b>                      | 1,246,638               |
| <b>Current assets</b>  |              |                                       |                         |
| Inventories  |              | <b>26,207</b>                         | 58,298                  |
| Debtors, other loans and receivables,<br>deposits and prepayments                | <i>16</i>    | <b>221,203</b>                        | 193,781                 |
| Bills receivable   |              | <b>12,507</b>                         | 9,579                   |
| Financial assets at fair value through profit or loss                            |              | <b>54,935</b>                         | 79,577                  |
| Prepaid lease payments for land  | <i>11</i>    | <b>1,671</b>                          | 1,758                   |
| Bank balances held on behalf of brokerage clients                                |              | <b>10,147</b>                         | 17,995                  |
| Bank balances and cash   |              | <b>61,987</b>                         | 181,247                 |
|  |              | <hr/>                                 | <hr/>                   |
|  |              | <b>388,657</b>                        | 542,235                 |
| Assets of a disposal group classified as held for sale                           | <i>17</i>    | <b>134,728</b>                        | —                       |
|  |              | <hr/>                                 | <hr/>                   |
| Total current assets   |              | <b>523,385</b>                        | 542,235                 |

|   | <i>Notes</i> | <b>2017</b><br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| <b>Current liabilities</b>                                  |              |                                |                         |
| Creditors, other advances and accrued charges               | <i>18</i>    | <b>70,612</b>                  | 93,703                  |
| Derivative financial liabilities                            |              | <b>76</b>                      | 435                     |
| Borrowings  |              | <b>97,904</b>                  | 116,288                 |
| Promissory notes  | <i>19</i>    | <b>23,871</b>                  | —                       |
| Taxation  |              | <b>113</b>                     | 470                     |
|   |              | <b>192,576</b>                 | 210,896                 |
| Liabilities of a disposal group classified as held for sale | <i>17</i>    | <b>21,742</b>                  | —                       |
| Total current liabilities                                   |              | <b>214,318</b>                 | 210,896                 |
| <b>Net current assets</b>                                   |              | <b>309,067</b>                 | 331,339                 |
| <b>Total assets less current liabilities</b>                |              | <b>1,514,124</b>               | 1,577,977               |
| <b>Non-current liabilities</b>                              |              |                                |                         |
| Promissory notes  | <i>19</i>    | —                              | 96,900                  |
| Deferred tax liabilities                                    |              | <b>44,264</b>                  | 58,087                  |
| Total non-current liabilities                               |              | <b>44,264</b>                  | 154,987                 |
| <b>Total net assets</b>                                     |              | <b>1,469,860</b>               | 1,422,990               |
| <b>EQUITY</b>   |              |                                |                         |
| <b>Capital and reserves</b>                                 |              |                                |                         |
| Share capital   |              | <b>23,512</b>                  | 19,594                  |
| Reserves  |              | <b>1,454,732</b>               | 1,394,450               |
| <b>Equity attributable to owners of the Company</b>         |              | <b>1,478,244</b>               | 1,414,044               |
| <b>Non-controlling interests</b>                            |              | <b>(8,384)</b>                 | 8,946                   |
| <b>Total equity</b>   |              | <b>1,469,860</b>               | 1,422,990               |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

|   | Share<br>capital<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Contributed<br>surplus<br>HK\$'000 | Exchange<br>reserve<br>HK\$'000 | Statutory<br>reserve<br>fund<br>HK\$'000 | Property<br>revaluation<br>reserve<br>HK\$'000 | Share<br>option<br>reserve<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 | Non-<br>controlling<br>interests<br>HK\$'000 | Total<br>equity<br>HK\$'000 |
|---|------------------------------|------------------------------|------------------------------------|---------------------------------|--|--|--|-----------------------------------|-------------------|--|-----------------------------|
| At 1 July 2015  | <u>11,339</u>                | <u>1,569,581</u>             | <u>612,360</u>                     | <u>(20,414)</u>                 | <u>4,866</u>                             | <u>58,122</u>                                  | <u>—</u>                               | <u>(703,005)</u>                  | <u>1,532,849</u>  | <u>11,694</u>                                | <u>1,544,543</u>            |
| Loss for the year   | —                            | —                            | —                                  | —                               | —  | —  | —                                      | (274,945)                         | (274,945)         | (2,056)                                      | (277,001)                   |
| Exchange difference on translation<br>of foreign operations   | —                            | —                            | —                                  | 5,236                           | —  | —  | —                                      | —                                 | 5,236             | (692)  | 4,544                       |
| Surplus on transfer from property,<br>plant and equipment to<br>investment properties,<br>net of deferred tax | —                            | —                            | —                                  | —                               | —  | 6,181  | —                                      | —                                 | 6,181             | —  | 6,181                       |
| Total comprehensive<br>income for the year  | —                            | —                            | —                                  | 5,236                           | —  | 6,181  | —                                      | (274,945)                         | (263,528)         | (2,748)                                      | (266,276)                   |
| Placements of new shares  | <u>8,255</u>                 | <u>136,468</u>               | —                                  | —                               | —  | —  | —                                      | —                                 | <u>144,723</u>    | —  | <u>144,723</u>              |
| At 30 June 2016   | <u>19,594</u>                | <u>1,706,049</u>             | <u>612,360</u>                     | <u>(15,178)</u>                 | <u>4,866</u>                             | <u>64,303</u>                                  | <u>—</u>                               | <u>(977,950)</u>                  | <u>1,414,044</u>  | <u>8,946</u>                                 | <u>1,422,990</u>            |

|   | Share<br>capital<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Contributed<br>surplus<br>HK\$'000 | Exchange<br>reserve<br>HK\$'000 | Statutory<br>reserve<br>fund<br>HK\$'000 | Property<br>revaluation<br>reserve<br>HK\$'000 | Share<br>option<br>reserve<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000       | Non-<br>controlling<br>interests<br>HK\$'000 | Total<br>equity<br>HK\$'000 |
|---|------------------------------|------------------------------|------------------------------------|---------------------------------|--|--|--|-----------------------------------|-------------------------|--|-----------------------------|
| At 1 July 2016  | <u>19,594</u>                | <u>1,706,049</u>             | <u>612,360</u>                     | <u>(15,178)</u>                 | <u>4,866</u>                             | <u>64,303</u>                                  | <u>—</u>                               | <u>(977,950)</u>                  | <u>1,414,044</u>        | <u>8,946</u>                                 | <u>1,422,990</u>            |
| Loss for the year   | —                            | —                            | —                                  | —                               | —  | —  | —                                      | (70,197)                          | (70,197)                | (8,712)                                      | (78,909)                    |
| Exchange difference on translation<br>of foreign operations   | —                            | —                            | —                                  | (1,845)                         | —  | —  | —                                      | —                                 | (1,845)                 | (189)  | (2,034)                     |
| Share of other comprehensive<br>income of associates  | —                            | —                            | —                                  | (152)                           | —  | —  | —                                      | —                                 | (152)                   | —  | (152)                       |
| Surplus on transfer from property,<br>plant and equipment to<br>investment properties, net of<br>deferred tax | —                            | —                            | —                                  | —                               | —  | 2,172  | —                                      | —                                 | 2,172                   | —  | 2,172                       |
| Disposal of a subsidiary (Note 20)  | —                            | —                            | —                                  | 1,689                           | —  | —  | —                                      | —                                 | 1,689                   | —  | 1,689                       |
| Total comprehensive<br>income for the year  | —                            | —                            | —                                  | (308)                           | —  | 2,172  | —                                      | (70,197)                          | (68,333)                | (8,901)                                      | (77,234)                    |
| Disposal of a subsidiary (Note 20)  | —                            | —                            | —                                  | —                               | —  | —  | —                                      | —                                 | —                       | (8,429)                                      | (8,429)                     |
| Share-based payment<br>expenses (Note 5)  | —                            | —                            | —                                  | —                               | —  | —  | 17,919                                 | —                                 | 17,919                  | —  | 17,919                      |
| Placements of new shares  | <u>3,918</u>                 | <u>110,696</u>               | —                                  | —                               | —  | —  | —                                      | —                                 | <u>114,614</u>          | —  | <u>114,614</u>              |
| At 30 June 2017   | <u><u>23,512</u></u>         | <u><u>1,816,745</u></u>      | <u><u>612,360</u></u>              | <u><u>(15,486)</u></u>          | <u><u>4,866</u></u>                      | <u><u>66,475</u></u>                           | <u><u>17,919</u></u>                   | <u><u>(1,048,147)</u></u>         | <u><u>1,478,244</u></u> | <u><u>(8,384)</u></u>                        | <u><u>1,469,860</u></u>     |

Notes:

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

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

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

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

Share option reserve represents the fair value of the share options granted by the Company which are yet to be exercised, net of issuing expenses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 1. ORGANISATION AND OPERATIONS

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of cables and wires, manufacture and trading of copper rods, trading of metallurgical grade bauxite, investment properties, trading of securities, provision of financing and management service and holding of mining right. Its associates are engaged in advertising and media services, branding and marketing services, corporate image and strategy services and innovating strategy services in the PRC. Its joint ventures are engaged in holding of mining permits.

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

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

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

|                                       |   |
|---------------------------------------|---|
| Amendments to HKFRSs                  | Annual improvements to HKFRSs 2014 – 2016 cycle <sup>5</sup>  |
| Amendments to HKAS 7                  | Disclosure Initiative <sup>1</sup>  |
| Amendments to HKAS 12                 | Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>                                 |
| HKAS 40                               | Transfer of Investment Property <sup>2</sup>  |
| Amendments to HKFRS 2                 | Share-Based Payment <sup>2</sup>  |
| HKFRS 4                               | Applying HKFRS 9 Financial Instruments with HKFRS 4<br>Insurance Contracts <sup>2</sup>               |
| HKFRS 9                               | Financial Instruments <sup>2</sup>  |
| Amendments to HKFRS 10<br>and HKAS 28 | Sale or Contribution of Assets between an Investor and its<br>Associate or Joint Venture <sup>4</sup> |
| HKFRS 15                              | Revenue from Contracts with Customers <sup>2</sup>  |
| Amendments to HKFRS 15                | Clarifications to HKFRS 15 Revenue from Contracts with<br>Customers <sup>2</sup>                      |
| HKFRS 16                              | Leases <sup>3</sup>   |
| HK(IFRIC) – Int 22                    | Foreign Currency Transactions and Advance Consideration <sup>2</sup>                                  |



- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2017
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2018
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2019
- <sup>4</sup> The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

#### ***Amendments to HKAS 7 – Disclosure Initiative***

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

#### ***Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses***

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

#### ***Amendments to HKFRS 2 – Share-based Payment***

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

#### ***HKFRS 9 - Financial Instruments***

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

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

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

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

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

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

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

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

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

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

***Amendments to HKFRS 15 – Clarifications to HKFRS 15 Revenue from Contracts with Customers***

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

### ***HKFRS 16 - Leases***

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

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

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

### **3. TURNOVER**

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

#### 4. SEGMENTAL INFORMATION

##### (a) Reportable segments

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

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

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

In prior years, the Group acquired its mining operation located in the State of Mongolia and became engaged in the mining business. However, no active operation took place since the date of acquisition and therefore the directors of the Company consider that the mining operation did not constitute a business segment as at 30 June 2016 and 2017 and for the years then ended for the purpose of segment reporting.

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

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

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

**For the year ended 30 June 2017**

|   | Cables<br>and wires | Copper<br>rods | Metallurgical<br>grade<br>bauxite | Investment<br>properties | Others   | Total    | Elimination | Total    |
|---|---------------------|----------------|-----------------------------------|--------------------------|----------|----------|-------------|----------|
|   | HK\$'000            | HK\$'000       | HK\$'000                          | HK\$'000                 | HK\$'000 | HK\$'000 | HK\$'000    | HK\$'000 |
| Revenue from external customers   | 166,669             | 217,272        | 28,932                            | 16,328                   | 13,321   | 442,522  | —           | 442,522  |
| Inter-segment revenue   | —                   | 23,950         | —                                 | —                        | —        | 23,950   | (23,950)    | —        |
| Reportable segment revenue  | 166,669             | 241,222        | 28,932                            | 16,328                   | 13,321   | 466,472  | (23,950)    | 442,522  |
| Reportable segment profit/(loss)  | 4,208               | (36,800)       | (1,045)                           | 6,595                    | (43,467) | (70,509) | (14,632)    | (85,141) |
| Finance costs   | (2,888)             | (4,033)        | (388)                             | —                        | —        | (7,309)  | —           | (7,309)  |
| Change in fair value of derivative<br>financial instruments, net  | —                   | 1,624          | —                                 | —                        | (118)    | 1,506    | —           | 1,506    |
| Change in fair value and loss on<br>disposal of financial assets at fair<br>value through profit or loss, net | —                   | —              | —                                 | —                        | (28,667) | (28,667) | —           | (28,667) |
| Change in fair value of investment<br>properties, net   | 9,938               | —              | —                                 | 24,253                   | —        | 34,191   | —           | 34,191   |
| Change in fair value of profit guarantee  | —                   | —              | —                                 | —                        | (7,620)  | (7,620)  | —           | (7,620)  |
| Reversal of impairment loss/<br>(impairment loss)<br>for doubtful debts, net                                  | 449                 | (6,838)        | —                                 | (1,760)                  | (297)    | (8,446)  | —           | (8,446)  |
| Impairment loss on property,<br>plant and equipment   | (302)               | —              | —                                 | (23,009)                 | (40)     | (23,351) | —           | (23,351) |
| Loss on disposal of a subsidiary  | —                   | —              | —                                 | —                        | (1,017)  | (1,017)  | —           | (1,017)  |
| Share of results of associates  | —                   | —              | —                                 | —                        | 2,350    | 2,350    | —           | 2,350    |
| Depreciation of property,<br>plant and equipment  |                     |                |                                   |                          |          |          |             |          |
| – allocated   | (7,449)             | (5,933)        | (117)                             | (3,479)                  | (3,762)  | (20,740) | —           | (20,740) |
| – unallocated   |                     |                |                                   |                          |          |          |             | (82)     |
|   |                     |                |                                   |                          |          |          |             | (20,822) |
| Taxation  | (1,939)             | 376            | (27)                              | (5,576)                  | —        | (7,166)  | —           | (7,166)  |

**For the year ended 30 June 2016**

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

*As at 30 June 2017*

|                                 | Metallurgical                          |                                   |                                     |   |                           | Total<br><i>HK\$'000</i> |
|---------------------------------|--|-----------------------------------|-------------------------------------|---|---------------------------|--------------------------|
|                                 | Cables<br>and wires<br><i>HK\$'000</i> | Copper<br>rods<br><i>HK\$'000</i> | grade<br>bauxite<br><i>HK\$'000</i> | Investment<br>properties<br><i>HK\$'000</i> | Others<br><i>HK\$'000</i> |                          |
|                                 | Reportable segment assets              | 231,970                           | 190,115                             | 22,022                                      | 205,996                   |                          |
| 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                  |

*As at 30 June 2016*

|                                 | Metallurgical                          |                                   |                                     |   |                           | Total<br><i>HK\$'000</i> |
|---------------------------------|--|-----------------------------------|-------------------------------------|---|---------------------------|--------------------------|
|                                 | Cables<br>and wires<br><i>HK\$'000</i> | Copper<br>rods<br><i>HK\$'000</i> | grade<br>bauxite<br><i>HK\$'000</i> | Investment<br>properties<br><i>HK\$'000</i> | Others<br><i>HK\$'000</i> |                          |
|                                 | Reportable segment assets              | 231,270                           | 218,626                             | 76,325                                      | 354,905                   |                          |
| 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, assets and liabilities**

|  | For the year ended 30 June |                         |
|--|----------------------------|-------------------------|
|  | 2017<br><i>HK\$'000</i>    | 2016<br><i>HK\$'000</i> |
| <b>Loss before taxation</b>  |                            |                         |
| Reportable segment loss  | (85,141)                   | (51,203)                |
| Reversal of impairment loss/(impairment loss) on intangible assets | 84,961                     | (193,650)               |
| Share of results of joint ventures                                 | (5,354)                    | (3,394)                 |
| Unallocated finance costs  | (8,782)                    | (3,886)                 |
| Share-based payment expenses                                       | (17,919)                   | —                       |
| Unallocated corporate expenses                                     | (39,508)                   | (19,887)                |
| Consolidated loss before taxation                                  | <u>(71,743)</u>            | <u>(272,020)</u>        |
|  | <b>30 June 2017</b>        | 30 June 2016            |
|  | <b><i>HK\$'000</i></b>     | <b><i>HK\$'000</i></b>  |
| <b>Assets</b>  |                            |                         |
| Reportable segment assets  | 981,573                    | 1,196,201               |
| Mining right   | 566,157                    | 481,748                 |
| Interests in joint ventures  | 30,184                     | 35,346                  |
| Unallocated bank balances and cash                                 | 34,443                     | 63,441                  |
| Unallocated corporate assets                                       | 116,085                    | 12,137                  |
| Consolidated total assets  | <u>1,728,442</u>           | <u>1,788,873</u>        |

|                                   | <b>30 June 2017</b>    | 30 June 2016    |
|-----------------------------------|------------------------|-----------------|
|                                   | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
| <b>Liabilities</b>                |                        |                 |
| Reportable segment liabilities    | <b>167,156</b>         | 209,019         |
| Promissory notes                  | <b>23,871</b>          | 96,900          |
| Taxation                          | <b>113</b>             | 470             |
| Deferred tax liabilities          | <b>44,264</b>          | 58,087          |
| Unallocated corporate liabilities | <b>23,178</b>          | 1,407           |
|                                   | <hr/>                  | <hr/>           |
| Consolidated total liabilities    | <b>258,582</b>         | 365,883         |
|                                   | <hr/> <hr/>            | <hr/> <hr/>     |

**(c) Geographical information**

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

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

|                     | <b>2017</b>                         | 2016            |
|---------------------|-------------------------------------|-----------------|
|                     | <b><i>HK\$'000</i></b>              | <i>HK\$'000</i> |
| PRC                 | <b>343,643</b>                      | 634,954         |
| Americas            | <b>22,035</b>                       | 38,262          |
| Europe              | <b>36,011</b>                       | 35,395          |
| Hong Kong           | <b>28,172</b>                       | 17,334          |
| Other Asian regions | <b>12,661</b>                       | 15,034          |
|                     | <hr/>                               | <hr/>           |
|                     | <b>442,522</b>                      | 740,979         |
|                     | <hr/> <hr/>                         | <hr/> <hr/>     |
|                     | <b>Specified non-current assets</b> |                 |
|                     | <b>30 June 2017</b>                 | 30 June 2016    |
|                     | <b><i>HK\$'000</i></b>              | <i>HK\$'000</i> |
| PRC                 | <b>445,172</b>                      | 560,283         |
| Hong Kong           | <b>151,608</b>                      | 139,038         |
| Mongolia            | <b>608,077</b>                      | 533,617         |
|                     | <hr/>                               | <hr/>           |
|                     | <b>1,204,857</b>                    | 1,232,938       |
|                     | <hr/> <hr/>                         | <hr/> <hr/>     |

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



**(d) Information about major customers**

During the year, no customer with whom the transactions exceed 10% of the Group's manufacture and trading of cables and wires segment, trading of metallurgical grade bauxite segment, and investment properties segment; whereas one customer contributed revenue of HK\$73,963,000 to the Group's manufacture and trading of copper rods segment.

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

**5. LOSS BEFORE TAXATION**

This is arrived at after charging/(crediting):

|   | <b>2017</b>     | 2016     |
|---|-----------------|----------|
|   | <b>HK\$'000</b> | HK\$'000 |
| Auditor's remuneration  | <b>1,797</b>    | 1,858    |
| Depreciation of property, plant and equipment   | <b>20,822</b>   | 19,026   |
| Carrying amount of inventories sold   | <b>407,206</b>  | 690,418  |
| Write-down of inventories   | —               | 888      |
| Reversal of write-down of inventories (Note (i))  | <b>(1,231)</b>  | —        |
| Cost of inventories recognised as expenses (Note (ii))  | <b>405,975</b>  | 691,306  |
| Charge of prepaid lease payments for land   | <b>1,734</b>    | 1,886    |
| Operating lease rentals in respect of rented premises   | <b>12,718</b>   | 5,946    |
| Loss on disposal of property, plant and equipment   | —               | 1,640    |
| Exchange differences, net   | <b>15,122</b>   | 30,834   |
| Share-based payment expenses  | <b>17,919</b>   | —        |
| Wages, salaries and retirement benefit scheme contributions including directors' remuneration | <b>46,341</b>   | 39,516   |

*Note:*

- (i) The reversal of a write-down of inventories arising due to decrease in provision for slow moving stock from HK\$5,720,000 in 2016 to HK\$4,489,000.
- (ii) Cost of inventories includes HK\$11,368,000 (2016: HK\$14,152,000) relating to staff costs, depreciation of property, plant and equipment and charge of prepaid lease payments for land, for which the amounts are also included in the respective total amounts disclosed separately above.

## 6. FINANCE COSTS

|                                      | <i>Note</i> | <b>2017</b><br><b>HK\$'000</b> | 2016<br><i>HK\$'000</i> |
|--------------------------------------|-------------|--------------------------------|-------------------------|
| Interest on borrowings               |             | <b>7,309</b>                   | 7,573                   |
| Imputed interest on promissory notes | 19          | <b>8,782</b>                   | 3,886                   |
|                                      |             | <b>16,091</b>                  | 11,459                  |

## 7. TAXATION

|   | <b>2017</b><br><b>HK\$'000</b> | 2016<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Hong Kong profits tax:                    |                                |                         |
| Current year                              | —                              | —                       |
| Taxation in other jurisdictions:          |                                |                         |
| Current year                              | <b>243</b>                     | 1,233                   |
| Under-provision in respect of prior years | <b>102</b>                     | 371                     |
|   | <b>345</b>                     | 1,604                   |
| Deferred taxation                         | <b>6,821</b>                   | 3,377                   |
| Taxation for the year                     | <b>7,166</b>                   | 4,981                   |

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit arising in Hong Kong during the current and prior years.

Taxation in other countries and jurisdictions is calculated at the rates applicable in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. The standard corporate income tax rate for enterprises in the PRC is 25%. Accordingly the applicable corporate income tax rate was 25% for the years ended 30 June 2016 and 2017.

## 8. DIVIDEND

The directors did not recommend the payment of any dividend for the years ended 30 June 2016 and 2017.

## 9. LOSS PER SHARE

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

### *Loss*

|  | <b>2017</b><br><b>HK\$'000</b> | 2016<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Loss attributable to owners of the Company for the purpose of basic and diluted loss per share | <u><b>(70,197)</b></u>         | <u>(274,945)</u>        |

### *Number of shares*

|  | <b>2017</b>                 | 2016<br>(Restated)   |
|--|-----------------------------|----------------------|
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | <u><b>2,230,809,732</b></u> | <u>1,819,278,073</u> |

The computation of diluted loss per share for the year ended 30 June 2017 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 year ended 30 June 2017.

There is no potential dilutive share during the year ended 30 June 2016, therefore, the basic and diluted losses per share for the year ended 30 June 2016 are equal.

The comparative figures for the basic loss per share for the year ended 30 June 2016 are restated to take into account the effect of the bonus element embedded in the placements of new shares during the year retrospectively as if they had taken place since the beginning of the respective comparative period.

## 10. INVESTMENT PROPERTIES

|  | <b>2017</b><br><b>HK\$'000</b> | 2016<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Fair value:                                      |                                |                         |
| At beginning of year                             | <b>348,856</b>                 | 313,828                 |
| Transferred from property, plant and equipment   | <b>6,082</b>                   | 7,190                   |
| Transferred from prepaid lease payments for land | <b>1,934</b>                   | 1,035                   |
| Fair value gains, net                            | <b>34,191</b>                  | 48,008                  |
| Transferred to assets held for sale              | <b>(127,275)</b>               | —                       |
| Currency realignment                             | <b>(3,899)</b>                 | (21,205)                |
| At end of year                                   | <u><b>259,889</b></u>          | <u>348,856</u>          |

The Group's investment properties were valued at 30 June 2017 by Peak Vision Appraisals Limited ("Peak Vision") and LCH (Asia-Pacific) Surveyors Limited ("LCH"), which 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, including the industrial buildings and the residential buildings, 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 or using the direct comparison approach by making reference to comparable sales evidence as available in the relevant market. These valuations gave rise to net fair value gains of HK\$34,191,000 (2016: HK\$48,008,000) during the year.

The fair value of the investment properties is a Level 3 recurring fair value measurement.

For the significant unobservable inputs used under the investment approach, term yield ranging from 2.6% to 15% (2016: 7.75% to 9%), reversionary yield ranging from 3.1% to 9% (2016: 8.25% to 9%) and average market unit rent per month ranging from RMB4 to RMB24.2 (2016: RMB4.0 to RMB16.8) per square metre are adopted for the industrial buildings whereas term yield of 4% (2016: 4.75%), reversionary yield of 4.25% (2016: 5%) and average market unit rent per month ranging from RMB18 to RMB27 (2016: RMB17.7 to RMB26.6) per square metre are adopted for the residential buildings.

Under the direct comparison approach, significant inputs of the Group's industrial buildings in the PRC include price per square metre of RMB1,937 (2016: RMB2,395) adjusted for a mark-up of 7.8% (2016: discount of 14%) specific to the location of the Group's industrial building located in the PRC compared to recent sales on the comparable transactions.

As at 30 June 2016, under the direct comparison approach, significant inputs include price per square feet of HK\$4,740 adjusted for a discount of 14% specific to the location of the Group's industrial buildings located in Hong Kong compared to recent sales on the comparable transactions. As at 30 June 2017, no industrial building that located in Hong Kong was measured under direct comparison approach.

The fair value measurement of investment properties is negatively correlated to the term yield and reversionary yield and positively correlated to average market unit rent per month under the investment approach, and is positively correlated to the price per square feet and square metre where appropriate and a favourable adjustment on the comparable transactions under the direct comparison approach.

The fair value measurement is based on the above properties highest and best use, which does not differ from their current use.

Fair value adjustments of investment properties is recognised in profit or loss. All the gains recognised in profit or loss for the year arise from the investment properties held at the end of the reporting period.

There was no transfer between Levels 1, 2 and 3 during the year.

The Group's investment properties are mainly situated in the PRC.

## 11. PREPAID LEASE PAYMENTS FOR LAND

|  | <i>Note</i> | <b>2017</b><br><b>HK\$'000</b> | 2016<br>HK\$'000 |
|--|-------------|--------------------------------|------------------|
| Carrying amount:                           |             |                                |                  |
| At beginning of year                       |             | <b>55,459</b>                  | 62,348           |
| Charged to the profit or loss for the year |             | <b>(1,734)</b>                 | (1,886)          |
| Transferred to investment properties       | 10          | <b>(1,934)</b>                 | (1,035)          |
| Currency realignment                       |             | <b>(782)</b>                   | (3,968)          |
|  |             | <u><b>51,009</b></u>           | <u>55,459</u>    |

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

|                                      | <b>2017</b><br><b>HK\$'000</b> | 2016<br>HK\$'000 |
|--------------------------------------|--------------------------------|------------------|
| Leasehold land situated in the PRC   | <b>50,721</b>                  | 55,161           |
| Leasehold land situated in Hong Kong | <b>288</b>                     | 298              |
|                                      | <u><b>51,009</b></u>           | <u>55,459</u>    |
| Analysed for reporting purposes as:  |                                |                  |
| Non-current                          | <b>49,338</b>                  | 53,701           |
| Current                              | <b>1,671</b>                   | 1,758            |
|                                      | <u><b>51,009</b></u>           | <u>55,459</u>    |

As at 30 June 2016, the Group pledged prepaid lease payments for land with aggregate carrying amount of HK\$1,001,000 to secure banking facilities granted to the Group. Such pledged prepaid lease payments for land are released during the year ended 30 June 2017.

## 12. INTANGIBLE ASSETS

|  | <b>Mining right</b><br><i>HK\$'000</i> | <b>Trading right</b><br><i>HK\$'000</i> | <b>Goodwill</b><br><i>HK\$'000</i> | <b>Total</b><br><i>HK\$'000</i> |
|--|--|---|------------------------------------|---------------------------------|
| <b>COST:</b>   |  |   |                                    |                                 |
| At 1 July 2015   | 1,168,889                              | —                                       | —                                  | 1,168,889                       |
| Business combination   | —                                      | 630                                     | 57,570                             | 58,200                          |
| Currency realignment   | (276)                                  | —                                       | —                                  | (276)                           |
|  | <hr/>                                  | <hr/>                                   | <hr/>                              | <hr/>                           |
| At 30 June 2016 and 1 July 2016                                | 1,168,613                              | 630                                     | 57,570                             | 1,226,813                       |
| Currency realignment   | (565)                                  | —                                       | —                                  | (565)                           |
|  | <hr/>                                  | <hr/>                                   | <hr/>                              | <hr/>                           |
| At 30 June 2017  | 1,168,048                              | 630                                     | 57,570                             | 1,226,248                       |
|  | <hr/>                                  | <hr/>                                   | <hr/>                              | <hr/>                           |
| <b>ACCUMULATED<br/>AMORTISATION AND<br/>IMPAIRMENT LOSSES:</b> |  |   |                                    |                                 |
| At 1 July 2015   | 493,221                                | —                                       | —                                  | 493,221                         |
| Additional impairment loss                                     | 193,650                                | —                                       | —                                  | 193,650                         |
| Currency realignment   | (6)                                    | —                                       | —                                  | (6)                             |
|  | <hr/>                                  | <hr/>                                   | <hr/>                              | <hr/>                           |
| At 30 June 2016 and 1 July 2016                                | 686,865                                | —                                       | —                                  | 686,865                         |
| Reversal of impairment loss                                    | (84,961)                               | —                                       | —                                  | (84,961)                        |
| Currency realignment   | (13)                                   | —                                       | —                                  | (13)                            |
|  | <hr/>                                  | <hr/>                                   | <hr/>                              | <hr/>                           |
| At 30 June 2017  | 601,891                                | —                                       | —                                  | 601,891                         |
|  | <hr/>                                  | <hr/>                                   | <hr/>                              | <hr/>                           |
| <b>NET CARRYING AMOUNT:</b>                                    |  |   |                                    |                                 |
| At 30 June 2017  | <u>566,157</u>                         | <u>630</u>                              | <u>57,570</u>                      | <u>624,357</u>                  |
| At 30 June 2016  | <u>481,748</u>                         | <u>630</u>                              | <u>57,570</u>                      | <u>539,948</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.

The mining right is subject to impairment review whenever there are indications that the mining right's carrying amount may not be recoverable.

In performing the impairment testing for the year, the directors of the Company have engaged Peak Vision in determining the recoverable amount of the cash-generating unit for which the mining right belongs to (the “Mining CGU”). Given the current development status of mining right, management has determined that recoverable amount of the Mining CGU on a fair-value-less-costs-of-disposal basis. The calculation has incorporated assumptions that a typical market participant would use in estimating recoverable amount of the Mining CGU, which adopted cash flow projection for a period of 9 years which is estimated to be the entire period of mining activities, discounted by the post-tax discount rate of 25.72%. In determining the discount rate, the weighted average cost of capital was used, which is determined with reference to the Mongolia Bank Prime Loan Rate and has taken into account the average of the weight of debt of industry comparables. For the estimation of inflation rate, inflation rates relevant to the local Mongolian economy and the commodity market are taken as reference.

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

As at 30 June 2017, the carrying amount of the Mining CGU was HK\$494,351,000, which was less than the recoverable amount of HK\$579,312,000 based on the above assessment, resulting in a reversal of impairment loss on mining right previously recognised of HK\$84,961,000. The reversal of impairment loss recognised in the current year is primarily due to the significant increase in the expected selling price of copper according to the prevailing market conditions, which is attributed to the increase in the recoverable amount of the mining right.

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

### ***Trading right and goodwill***

Trading right confers a right to the Group to trade securities and options contracts on or through the Stock Exchange 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. Instead, it is tested for impairment annually and whenever there is an indication that it may be impaired. For such purposes, trading right is allocated to the businesses of securities brokerage, placing and underwriting services and margin financing as one CGU (the “Securities CGU”). For the purposes of impairment testing, goodwill arising from the related business combination is also allocated to the Securities CGU.

The recoverable amount of the Securities CGU has been determined from value-in-use calculations based on cash flow projections from formally approved budgets covering a three-year period. Cash flows beyond the three-year period are extrapolated using an estimated weighted average growth rate of 3%, which does not exceed the long-term growth rate for the relevant industry.

|   |               |
|---|---------------|
| <b>Pre-tax discount rate</b>                    | <b>15.83%</b> |
| <b>Growth rate within the three-year period</b> | <b>3%</b>     |

The discount rate reflects specific risks relating to the Securities CGU. The growth rate within the three-year period have been based on past experience.

### 13. PREPAYMENTS FOR ACQUISITION OF A SUBSIDIARY AND PROPERTY, PLANT AND EQUIPMENT

|   | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Prepayments made for acquisition of property, plant and equipment | 669                     | 20,075                  |
| Prepayments made for the acquisition of a subsidiary              | 28,795                  | —                       |
|   | <u>29,464</u>           | <u>20,075</u>           |

### 14. INTERESTS IN ASSOCIATES

|                     | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|---------------------|-------------------------|-------------------------|
| Share of net assets | 28,642                  | 26,444                  |
| Goodwill            | 84,028                  | 84,028                  |
|                     | <u>112,670</u>          | <u>110,472</u>          |

Particulars of the Group's associates are as follows:-

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

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



## 15. INTERESTS IN JOINT VENTURES

|                      | <b>2017</b>            | 2016            |
|----------------------|------------------------|-----------------|
|                      | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
| Shares of net assets | <b>30,184</b>          | 35,346          |

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

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

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement. Under HKFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

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

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

As at 30 June 2017, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK\$51,692,000 (2016: HK\$56,096,000).

- (i) The Group allows an average credit period of 30 to 60 days (2016: 30 to 60 days) to its trade customers.
- (ii) The aging analysis of trade debtors, net of allowance for doubtful debts, based on invoice date, is as follows:

|                | <b>2017</b>            | 2016            |
|----------------|------------------------|-----------------|
|                | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
| Within 30 days | <b>31,661</b>          | 47,075          |
| 31 - 60 days   | <b>10,969</b>          | 3,705           |
| 61 - 90 days   | <b>7,366</b>           | 1,031           |
| Over 90 days   | <b>1,696</b>           | 4,285           |
|                | <b>51,692</b>          | 56,096          |

## 17. 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.

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 of assets and liabilities relating to the Disposal Group have been classified as held for sale in the consolidated statement of financial position.

|  | <b>2017</b><br><b>HK\$'000</b> |
|--|--------------------------------|
| Property, plant and equipment                                  | 578                            |
| Investment properties (Note 10)                                | 127,275                        |
| Debtors, other loans and receivables, deposits and prepayments | 877                            |
| Bank balances and cash   | 5,998                          |
|  | <hr/>                          |
|  | 134,728                        |
|  | <hr/>                          |
| Creditors, other advances and accrued charges                  | (2,052)                        |
| Deferred tax liabilities                                       | (19,690)                       |
|  | <hr/>                          |
|  | <b>(21,742)</b>                |
|  | <hr/> <hr/>                    |

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

## 18. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

As at 30 June 2017, included in the Group’s creditors, other advances and accrued charges were trade creditors of HK\$38,463,000 (2016: HK\$52,822,000).

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

|                           | <b>2017</b><br><b>HK\$'000</b> | 2016<br><b>HK\$'000</b> |
|---------------------------|--------------------------------|-------------------------|
| Current or within 30 days | 24,916                         | 35,533                  |
| 31 - 60 days              | 7,332                          | 2,984                   |
| 61 - 90 days              | 1,175                          | 1,339                   |
| Over 90 days              | 5,040                          | 12,966                  |
|                           | <hr/>                          | <hr/>                   |
|                           | <b>38,463</b>                  | 52,822                  |
|                           | <hr/> <hr/>                    | <hr/> <hr/>             |

As at 30 June 2016, included in the balances were an advance in the amount of HK\$1,168,000 from the non-controlling equity owner of a subsidiary and a loan of HK\$8,760,000 from an independent third party, which were unsecured, interest-free and had no fixed terms of repayment. During the current year, the above balances have been disposed of upon the disposal of a subsidiary (Note 20).

## 19. PROMISSORY NOTES

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

The promissory notes were initially recognised at their fair values at the dates of issue and subsequently measured at amortised cost using the effective interest method. As at the respective dates of issue of the promissory notes, the aggregate fair value of the promissory notes was estimated at HK\$133,046,000 based on professional valuations conducted by Peak Vision using discounted cash flows method with discount rates ranging from 9.05% to 10.19%.

The movements of the promissory notes during the year are as follows:

|   | <i>Note</i> | <b>2017</b><br><b>HK\$'000</b> | 2016<br>HK\$'000   |
|---|-------------|--------------------------------|--------------------|
| At 1 July 2016 or the respective dates of issue |             | <b>96,900</b>                  | 133,046            |
| Imputed interest on promissory notes            | 6           | <b>8,782</b>                   | 3,886              |
| Redemption on promissory notes                  |             | <b>(79,000)</b>                | (40,000)           |
| Interest paid                                   |             | <b>(2,811)</b>                 | (32)               |
|   |             | <hr/> <b>23,871</b> <hr/>      | <hr/> 96,900 <hr/> |
| At 30 June                                      |             | <b>23,871</b>                  | 96,900             |
| Analysed for reporting purposes as:             |             |                                |                    |
| Non-current                                     |             | —                              | 96,900             |
| Current   |             | <b>23,871</b>                  | —                  |
|   |             | <hr/> <b>23,871</b> <hr/>      | <hr/> 96,900 <hr/> |

## 20. DISPOSAL OF A SUBSIDIARY

On 28 March 2017, the Group disposed of its interests in Henan Shengxiang Industry Co., Ltd. (“HNSX”) for a cash consideration of RMB8,200,000. HNSX is engaged in the provision of trading of metallurgical of bauxite in the PRC. The directors of the Company considered that disposal of HNSX does not constitute a discontinued operation as it does not represent the disposal of a separate major line of business or geographical area of operation. The net assets of HNSX at the date of disposal were as follows:-

|  | <i>HK\$'000</i> |
|--|-----------------|
| Property, plant and equipment                                  | 893             |
| Inventories  | 2,762           |
| Debtors, other loans and receivables, deposits and prepayments | 28,189          |
| Cash and cash equivalents                                      | 468             |
| Creditors, other advances and accrued charges                  | (15,110)        |
| Non-controlling interest                                       | (8,429)         |
|  | <hr/>           |
|  | 8,773           |
| Exchange reserve   | 1,689           |
| Loss on disposal of a subsidiary                               | (1,017)         |
|  | <hr/>           |
| Total cash consideration                                       | <u>9,445</u>    |
| Net cash inflows arising from the disposal:                    |                 |
| Cash consideration (Note)                                      | 5,932           |
| Cash and bank balances disposed of                             | (468)           |
|  | <hr/>           |
|  | <u>5,464</u>    |

*Note:* During the year, HK\$5,932,000 out of the total consideration of RMB8,200,000 (equivalent to approximately HK\$9,445,000) has been received by the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

The Board announces that for the year ended 30 June 2017 (the “**year under review**”), total turnover of the Group was approximately HK\$442,522,000, representing a decrease of 40.3% as compared to approximately HK\$740,979,000 recorded for the corresponding period last year. During the year under review, loss attributable to owners of the Company was approximately HK\$70,197,000, as compared to the loss attributable to owners of the Company of approximately HK\$274,945,000 for the corresponding period last year. Loss per share for the year under review was approximately HK\$0.03 (Loss per share for 2015/16: HK\$0.15 (Restated)).

### BUSINESS REVIEW

The Group’s turnover for the year under review was approximately HK\$442,522,000, representing a decrease of 40.3% as compared to approximately HK\$740,979,000 for the same period of last year. By business segments, the turnover of the cables and wires business was approximately HK\$166,669,000, representing a decrease of 5.3% as compared to approximately HK\$175,918,000 for the same period of last year and accounted for 37.7% of the Group’s total turnover. Turnover of the copper rod business was approximately HK\$217,272,000, representing a decrease of 46.0% as compared to approximately HK\$402,665,000 for the same period of last year and accounted for 49.1% of the Group’s total turnover. Turnover of the metallurgical grade bauxite trading business was approximately HK\$28,932,000, representing a decrease of 79.4% as compared to approximately HK\$140,761,000 for the same period of last year and accounted for 6.5% of the Group’s total turnover. Turnover of the leasing business was approximately HK\$16,328,000, representing a decrease of 16.3% as compared to approximately HK\$19,500,000 for the same period of last year and accounted for 3.7% of the Group’s total turnover. Turnover of other business was approximately HK\$13,321,000 and accounted for 3.0% of the Group’s total turnover, as compared to approximately HK\$2,135,000 for the same period of last year.

By geographical market segments, turnover from the business in the Americas decreased by 42.4% to approximately HK\$22,035,000 from approximately HK\$38,262,000 for the same period of last year, accounted for 5.0% of the Group’s total turnover. Turnover from the business in Mainland China and Hong Kong decreased by 43.0% to approximately HK\$371,815,000 from approximately HK\$652,288,000 for the same period of last year, accounted for 84.0% of the Group’s total turnover. Turnover from the business in Europe increased by 1.7% to approximately HK\$36,011,000 from approximately HK\$35,395,000 for the same period of last year, accounted for 8.1% of the Group’s total turnover. Turnover from the business in other regions decreased by 15.8% to approximately HK\$12,661,000 from approximately HK\$15,034,000 for the same period of last year, accounted for 2.9% of the Group’s total turnover.

## **Cables and Wires**

The Group's turnover of the cables and wires business for the year under review was approximately HK\$166,669,000, representing a decrease of 5.3% as compared to approximately HK\$175,918,000 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 global economy continued to recover and the operating conditions in the manufacturing industry has been improving. 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 year under review, the turnover of the copper rod business was approximately HK\$217,272,000, representing a decrease of 46.0% as compared to approximately HK\$402,665,000 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 have rebounded from a low point during the year under review and the 3-month London Metal Exchange copper price increased from approximately US\$4,800 at the beginning of the year under review to approximately US\$5,900 at the end of the year under review. However, this has not led to a corresponding growth in the copper rod business, as an increase in copper price allows certain major upstream copper companies to lower their copper rod processing fees to attract clients during the year, resulting in a poor operating environment for the copper rod business. After considering the cost efficiency of the business, the Group suspended the processing service and focused on copper wires trading during the year.

## **Metallurgical Grade Bauxite Trading Business**

Turnover of the metallurgical grade bauxite trading business was approximately HK\$28,932,000, representing a decrease of 79.4% as compared to approximately HK\$140,761,000 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 to alleviate water pollution problems, which will be extended till the end of 2017. 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 the prospects of the business.

On 28 March 2017, the Group completed the disposal of 51% equity interest in Henan Shengxiang Industry Co., Ltd. (河南盛祥實業有限公司). The details of the disposal were set out in the Group's announcements dated 9 February 2017 and 28 March 2017.

## **Rental Income**

During the year under review, rental income was approximately HK\$16,328,000, representing a decrease of approximately 16.3% as compared with approximately HK\$19,500,000 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, an industrial property in Kowloon Bay.

The Group's factory property and land in Qingpu District, Shanghai were formally changed to investment properties in March 2017 and it will provide rental income in 2017/2018.

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

## **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 the international mineral markets, apart from carrying out additional exploration work and the necessary work to maintain mining rights, no large scale capital investment was made during the year under review. The management will closely monitor the investment risks of Mongolia and make adjustments to the investment strategies accordingly.

As at 30 June 2017, a reversal of impairment loss on mining rights previously recognised of HK\$84,961,000 was recorded. The reversal of impairment loss recognised in the current year is primarily due to the significant increase in the expected selling price of copper according to the prevailing market conditions, which is attributed to the increase in the recoverable amount of the mining right. Details are set out in note 12 to the consolidated financial statements.

## **Securities Business**

The performance of securities business during the year under review looked grim, with turnover of approximately HK\$13,321,000. It was mainly due to fierce competition in the industry with competitors lowering their brokerage fee in order to attract clients, and the Group has also reduced its brokerage fee in line with the market to retain clients, resulting in a lower turnover than expected.

As at 28 September 2017, Pico Zeman Securities (HK) Limited ("**Pico Zeman**") is licensed to carry on Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the SFO and it is also an Exchange Participant and a Direct Clearing Participant. The Group has prepared and planned in respect of its licenses to seek relevant opportunities, and it is expected to increase income for the Group.

## **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. Even though competition faced by the advertising business was fierce, the growth in the business of Idea during the year under review was relative stable. The audited net profit after tax of Idea for the financial year ended 31 December 2016 prepared under the HKFRSs exceeded its profit guarantee of RMB18,000,000.

## **PROSPECTS**

The Group will pay close attention to market information, cautiously monitoring global economic conditions and economic conditions in the major markets of the PRC. Along with the continuing recovery of the PRC economy and the new automatic mechanic production equipment, the Group is confident that the cables and wires business market will gradually turn stable, and the Group will make operational plans in response to market changes to strengthen its market position in the cables and wires business.

Even though the U.S. economy has stepped into the upward cycle and the PRC economy is gradually recovering, coupled with the commencement of the Shenzhen-Hong Kong Stock Connect, the Group’s view on the outlook of the securities industry is more prudent than expected, given the fierce competition of the securities industry.

The Group will re-inject funds from the disposal of China Glory into the business of the Group, and will prudently seek new opportunities to diversify our income. The Group will also plan and explore other existing investment properties to maximize its potential value.

The Group acquired 80% interests of a company in Lianjiang, Guangdong in July 2017, and successfully bid two lands with approximately 170 mu in aggregate in Lianjiang in September 2017. The Group will use the lands to establish a stone industry one-stop distribution and trading center and a stone industry base. Such development project is also one of key projects in Lianjiang, Guangdong, it is expected to generate new income for the Group. Moreover, Lianjiang City is strategically located in the Guangdong-Hong Kong-Macao Greater Bay Area, which could bring another opportunity for the Group in future.

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.



## **FINAL DIVIDEND**

The Board resolved not to pay any final dividend for the year ended 30 June 2017.

## **ANNUAL GENERAL MEETING**

The 2017 Annual General Meeting of the Company (the “**2017 AGM**”) will be held on Friday, 8 December 2017.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the identity of the shareholders of the Company (the “**Shareholders**”) to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Wednesday, 6 December 2017 to Friday, 8 December 2017, both days inclusive, during which no transfer of shares of the Company will be effected. In order to qualify for attending and voting at the 2017 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, by 4:30 p.m. on Tuesday, 5 December 2017.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2017, 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 year ended 30 June 2017, the Group implemented a prudent financial management policy. As at 30 June 2017, the Group had cash and bank balances amounting to approximately HK\$62 million (30 June 2016: HK\$181 million) and value of net current assets was approximately HK\$309 million (30 June 2016: HK\$331 million). The Group’s gearing ratio as at 30 June 2017 was 0.08 (30 June 2016: 0.15), being a ratio of total bank borrowings and promissory notes of approximately HK\$122 million (30 June 2016: HK\$213 million) to shareholders’ funds of approximately HK\$1,478 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 regular and active attention to fluctuations in the Renminbi exchange rate and any exchange risks.

## **CHARGES ON GROUP ASSETS**

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

As at 30 June 2016, the Group had pledged certain properties, plant and machinery, land use rights and investment properties with an aggregate net book value of approximately HK\$305 million to secure general banking facilities granted to the Group.

## **CONTINGENT LIABILITIES**

As at 30 June 2017, the Company had not issued guarantees to banks to secure general banking facilities granted to its subsidiaries.

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

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

For the year under review, the Group entered into copper forward contracts (“**Derivative Financial Instruments**”) to manage copper price risks. The Group's overall financial risk management is to ensure that transactions undertaken by the Group are in accordance with the Group's policies and not for speculative purposes. The outstanding Derivative Financial Instruments had been revalued and stated at their fair value as at 30 June 2017 and the changes in fair value were charged to the income statement. The net gain from the Derivative Financial Instruments for the year under review was approximately HK\$1,506,000 (2015/16: net loss of HK\$5,791,000).

## 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 30 June 2017 are summarised as follows:

| <b>Intended use of net proceeds from the First Placing</b>   | <b>Actual use of net proceeds from the First Placing</b>   |
|--|--|
| – 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 and were disclosed in the Company’s 2016 annual report.

### 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 authorised to be allotted and issued under the General Mandate, which was approximately 0.0001% of the 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 and were disclosed in the Company’s 2016 annual report.

### **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 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 (who are independent professional, institutional or other investors) 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 of the Shares 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 placing 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 per Share.

The utilisation of the net proceeds from the Second Placing as at 30 June 2017 and 28 September 2017 are summarised as follows:

| <b>Intended use of net proceeds from the Second Placing</b>   | <b>Actual use of net proceeds from the Second Placing</b>   |
|---|---|
| <ul style="list-style-type: none"> <li>– Approximately HK\$35 million for redemption of the promissory note (which was issued on 16 May 2016);</li> <li>– Approximately HK\$34 million for repayment of bank loans and trust receipt loans; and</li> <li>– Approximately HK\$45.4 million for general working capital of the Group</li> </ul> | <p>As at 30 June 2017,</p> <ul style="list-style-type: none"> <li>– approximately HK\$35 million was utilised for redemption the promissory note (which was issued on 16 May 2016); and</li> <li>– approximately HK\$22 million was utilised for repayment of bank loans and approximately HK\$12 million was utilised for repayment of trust receipt loans.</li> </ul> <p>As at 30 June 2017,</p> <ul style="list-style-type: none"> <li>– approximately HK\$37.4 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.</li> </ul> <p>As at 28 September 2017,</p> <ul style="list-style-type: none"> <li>– approximately HK\$45.4 million was utilised for general working capital of Hong Kong office and the PRC operations of the Group.</li> </ul> |

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**

The details and completion of the acquisition of the entire issued share capital in Pico Zeman were set out in the announcements of the Company dated 19 October 2015, 20 October 2015 and 18 April 2016 and were disclosed in the Company’s 2016 annual report.

On 5 August 2016, the Company announced that the Securities and Futures Commission (the “SFC”) has agreed to add Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities to the licence of Pico Zeman under section 127(1) of the 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). Details of the SFC approval were set out in the announcement of the Company dated 5 August 2016.

As at 28 September 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**"), pursuant to which the Purchaser A 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 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 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 A, 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 industrial complex erected on the Land, together with the tenancy, will be transferred to the Purchaser A on an as-is basis.

The consideration of HK\$140,000,000 ("**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 and Benefits for the Disposal" in the announcement of the Company dated 16 October 2016. The Company intends to apply the net proceeds from Disposal A for repayment of bank loans and as general working capital for the Group.

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.

Completion of the Sale Agreement was conditional on the conditions being satisfied or waived by the Purchaser on or before the long stop date which was the date on which 12 months after the date of the Sale Agreement or such other date as the Vendor and the Purchaser A may agree. The details of the conditions were set out in the announcement of the Company dated 16 October 2016.

As certain 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.

On 24 August 2017, the Company announced that all the conditions of Disposal A have been satisfied or waived by the Purchaser and completion of Disposal A took place on 24 August 2017. Following the completion of Disposal A, (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 Group.

The details and completion of Disposal A were set out in the announcements of the Company dated 16 October 2016 and 24 August 2017.

## **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, Dongguan Hua Yi Brass Products Co., Ltd. (an indirect wholly-owned subsidiary of the Company) (東莞華藝銅業有限公司) (the English name for identification purpose only) (“**Dongguan Hua Yi**”) entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with Mr. Zhou Wei (the “**Purchaser B**”), pursuant to which the Purchaser has conditionally agreed to acquire and Dongguan Hua Yi has conditionally agreed to sell 51% of the equity interest in Henan Shengxiang Industry Co., Ltd. (河南盛祥實業有限公司) (the English name for identification purpose only) (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) in cash (“**Disposal B**”).

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 (the “**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 and Benefits for the Disposal” in the announcement of the Company dated 9 February 2017. The Company intends to apply the net proceeds of Disposal B for the general working capital of the Group.

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 Company’s trading volume and the prospect of its 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.

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 holding 39% equity interest in the Target Company B and is 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.



On 28 March 2017, the Company announced that all conditions of Disposal B have been fulfilled and completion of Disposal B took place on 28 March 2017. Following the completion of Disposal B, Dongguan Hua Yi ceased to have any interest in the Target Company B and the Target Company B ceased to be a subsidiary of the Group.

The details and completion of Disposal B were set out in the announcements of the Company dated 9 February 2017 and 28 March 2017.

## **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 "**Equity Transfer Agreements**") with the shareholders 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**"). Pursuant to the Equity Transfer 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 Group.

## **SIGNIFICANT INVESTMENT**

Save as disclosed above, the Group did not make any other significant investment during the year under review and the Group does not have any other plans for material investments or capital assets as at 28 September 2017.

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the year ended 30 June 2017.

## **COMPLIANCE WITH THE CODE PROVISIONS**

During the year 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 year under review, Mr. Chau Lai Him acted as the Chairman and the Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive experience in the cable and wire industry and the mining industry. Mr. Chau is responsible for 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 2014 annual general meeting of the Company held on 19 November 2014 (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 Wai Ming will retire from office by rotation at the 2017 AGM and offer himself for re-election.

Mr. Lo Chao Ming has been an independent non-executive Director of the Company for more than nine years since 16 November 2006. In accordance with the Bye-laws of the Company, Mr. Lo Chao Ming retired from office by rotation at the 2015 AGM and offered himself for re-election at the 2015 AGM. An ordinary resolution was passed at the 2015 AGM to approve the appointment of Mr. Lo Chao Ming as an independent non-executive Director of the Company.

### **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) comprises Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming, all of whom are independent non-executive Directors of the Company. It has adopted terms of reference which are in line with the Code provisions. The Audit Committee has reviewed the annual results of the Group for the year under review.

### **REMUNERATION COMMITTEE**

The remuneration committee of the Company (the “**Remuneration Committee**”) comprises 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 duties of the Remuneration Committee include reviewing and evaluating the remuneration packages of executive Directors and senior management and making recommendations to the Board from time to time.

## **NOMINATION COMMITTEE**

The nomination committee of the Company (the “**Nomination Committee**”) comprises Mr. Chau Lai Him, an executive director and 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 duties of the Nomination Committee include reviewing the composition of the Board at least annually, identifying and recommending suitable board members, monitoring the implementation of the board diversity policy, assessing independence of independent non-executive Directors and making recommendations on appointments and re-appointments of Directors.

## **COMPLIANCE WITH THE MODEL CODE**

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

## **APPRECIATION**

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

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

Hong Kong, 28 September 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.*