Solartech International Holdings Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 1166

INTERIM REPORT
2018-19

CORPORATE INFORMATION

Directors

Executive Directors

CHAU Lai Him *(Chairman and Managing Director)*
ZHOU Jin Hua *(Deputy Chairman)*
LIU Dong Yang
CHAU Chi Ho

Independent Non-Executive Directors

CHUNG Kam Kwong
LO Wai Ming
LO Chao Ming

Company Secretary

CHAN Kam Yee

Registered Office

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2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

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Concordia Plaza
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Stock Code

1166

Website

www.1166hk.com

Auditor

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Legal Advisor

Herbert Smith Freehills
23/F, Gloucester Tower
15 Queen's Road Central
Hong Kong

Bermuda Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Banks (in Alphabetical Order)

Bank of China Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited

The Board of Directors (the "**Directors**" or the "**Board**") of Solartech International Holdings Limited (the "**Company**") announces the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 31 December 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

		For the six months ended	
	Notes	**31 December 2018** ***HK$'000*** ***(Unaudited)***	31 December 2017 *HK$'000* *(Unaudited)*
Turnover	3(a)	**168,226**	200,230
Cost of sales		**(148,863)**	(176,091)
Gross profit		**19,363**	24,139
Interest income		**1,016**	95
Other income		**9,686**	24,904
General and administrative expenses		**(66,687)**	(48,544)
Selling and distribution expenses		**(3,902)**	(5,126)
Reversal of impairment loss for doubtful debts, net		**925**	–
Change in fair value of derivative financial instruments	14	**(908)**	(845)
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	15	**(24,649)**	546
Change in fair value of investment properties	10	**13,099**	10,664
Change in fair value of profit guarantee		**–**	(5,880)
Loss on disposal of subsidiaries		**–**	(1,236)
Finance costs	5	**(5,256)**	(4,204)
Share of results of associates		**(1,889)**	8,609
Share of results of joint ventures		**(81)**	(88)
(Loss)/profit before taxation	4	**(59,283)**	3,034
Taxation	6	**(38)**	45
(Loss)/profit for the period		**(59,321)**	3,079

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Note	For the six months ended 31 December 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Unaudited)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**7,597**	(5,367)
Reclassification adjustments for a foreign operation disposed of during the period		**–**	13,965
Other comprehensive income for the period		**7,597**	8,598
Total comprehensive income for the period		**(51,724)**	11,677
(Loss)/profit for the period attributed to:			
Owners of the Company		**(59,507)**	3,239
Non-controlling interests		**186**	(160)
		(59,321)	3,079
Total comprehensive income for the period attributable to:			
Owners of the Company		**(50,924)**	11,841
Non-controlling interests		**(800)**	(164)
		(51,724)	11,677
(Loss)/earnings per share			
– Basic (HK cents)	8	**(2.51)**	0.14
– Diluted (HK cents)		**(2.51)**	0.13

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2018 HK$'000 (Unaudited)	30 June 2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**65,533**	80,318
Prepayment for acquisition of property, plant and equipment	9	**34,161**	–
Investment properties	10	**306,345**	303,146
Prepaid lease payments for land		**101,575**	107,552
Intangible assets	11	**600,077**	600,275
Other assets		**200**	200
Interests in associates		**76,025**	79,311
Interests in joint ventures		**32,848**	32,791
Total non-current assets		**1,216,764**	1,203,593
Current assets			
Inventories		**21,649**	31,657
Debtors, other loans and receivables, deposits and prepayments	12	**266,668**	237,968
Bills receivable	13	**5,398**	14,310
Financial assets at fair value through profit or loss	15	**36,422**	59,522
Prepaid lease payments for land		**2,855**	2,974
Pledged bank deposits		**4,553**	11,851
Bank balances held on behalf of brokerage clients		**4,812**	5,147
Bank balances and cash		**58,425**	87,065
Total current assets		**400,782**	450,494

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	31 December 2018 HK$'000 (Unaudited)	30 June 2018 HK$'000 (Audited)
Current liabilities			
Creditors, other advances and accrued charges	16	**58,707**	77,514
Derivative financial liabilities	14	**30**	67
Borrowings	17	**158,176**	126,141
Taxation		**119**	92
Total current liabilities		**217,032**	203,814
Net current assets		**183,750**	246,680
Total assets less current liabilities		**1,400,514**	1,450,273
Non-current liabilities			
Deferred tax liabilities		**48,388**	50,245
Total non-current liabilities		**48,388**	50,245
Total net assets		**1,352,126**	1,400,028
EQUITY			
Capital and reserves			
Share capital	18	**23,745**	23,650
Reserves		**1,337,641**	1,385,056
Equity attributable to owners of the Company		**1,361,386**	1,408,706
Non-controlling interests		**(9,260)**	(8,678)
Total equity		**1,352,126**	1,400,028

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve fund HK$'000	Property revaluation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2017 (Audited)	23,512	1,816,745	612,360	(15,486)	4,866	66,475	17,919	(1,048,147)	1,478,244	(8,384)	1,469,860
Profit/(loss) for the period	-	-	-	-	-	-	-	3,239	3,239	(160)	3,079
Exchange difference on translating foreign operations	-	-	-	8,602	-	-	-	-	8,602	(4)	8,598
Total comprehensive income for the period	-	-	-	8,602	-	-	-	3,239	11,841	(164)	11,677
Exercise of share options	10	505	-	-	-	-	(161)	-	354	-	354
Lapse of share options	-	-	-	-	-	-	(2,284)	2,284	-	-	-
At 31 December 2017 (Unaudited)	23,522	1,817,250	612,360	(6,884)	4,866	66,475	15,474	(1,042,624)	1,490,439	(8,548)	1,481,891

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve fund HK$'000	Property revaluation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2018 (Audited)	23,650	1,823,623	612,360	(4,273)	4,866	66,475	13,507	(1,131,502)	1,408,706	(8,678)	1,400,028
Initial application of HKFRS 9 (Note 2)	-	-	-	-	-	-	-	(550)	(550)	-	(550)
At 1 July 2018 (as restated)	23,650	1,823,623	612,360	(4,273)	4,866	66,475	13,507	(1,132,052)	1,408,156	(8,678)	1,399,478
Loss for the period	-	-	-	-	-	-	-	(59,507)	(59,507)	186	(59,321)
Exchange difference on translating foreign operations	-	-	-	8,583	-	-	-	-	8,583	(986)	7,597
Total comprehensive income for the period	-	-	-	8,583	-	-	-	(59,507)	(50,924)	(800)	(51,724)
Changes in non-controlling interests without change in control	-	-	-	-	-	-	-	782	782	218	1,000
Exercise of share options	95	4,809	-	-	-	-	(1,532)	-	3,372	-	3,372
Lapse of share options	-	-	-	-	-	-	(11,975)	11,975	-	-	-
At 31 December 2018 (Unaudited)	23,745	1,828,432	612,360	4,310	4,866	66,475	-	(1,178,802)	1,361,386	(9,260)	1,352,126

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	For the six months ended	
	31 December 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Net cash used in operating activities	**(76,978)**	(44,722)
Net cash generated from/(used in) investing activities	**13,539**	(36,224)
Net cash generated from financing activities	**38,727**	164,128
Net (decrease)/increase in cash and cash equivalents	**(24,712)**	83,182
Cash and cash equivalents at beginning of the period	**87,065**	72,134
Effect of foreign exchange rate changes	**(3,928)**	3,065
Cash and cash equivalents at end of the period	**58,425**	158,381
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**58,425**	158,381

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

1. BASIS OF PREPARATION

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

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 30 June 2018. The accounting policies and method of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's consolidated financial statements for the year ended 30 June 2018, except the new revised HKFRSs as described below.

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

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2018, which comprise HKFRSs; Hong Kong Accounting Standards ("**HKASs**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's unaudited condensed consolidated interim financial statements and amounts reported for the current period and prior years.

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

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised below. The other new or amended HKFRSs that are effective from 1 July 2018 did not have any material impact on the Group's accounting policies.

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

(a) HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (i) classification and measurement; (ii) impairment and (iii) hedge accounting. The adoption of HKFRS 9 by the Group from 1 July 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the condensed consolidated interim financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of accumulated losses and non-controlling interests as of 1 July 2018:

	HK$'000
Accumulated losses	
Accumulated losses as at 30 June 2018	(1,131,502)
Recognition of expected credit losses ("**ECLs**") on debtors, other loans and receivables and deposits	(550)
Restated accumulated losses as at 1 July 2018 (Unaudited)	(1,132,052)

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

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

(a) ***HKFRS 9 – Financial Instruments*** *(Continued)*

(i) Classification and measurement of financial instruments (Continued)

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) financial assets at FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed; and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

– The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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

(a) *HKFRS 9 – Financial Instruments* *(Continued)*

(i) Classification and measurement of financial instruments (Continued)

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

Financial assets at amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
Financial assets at FVTPL	Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.

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

(a) ***HKFRS 9 – Financial Instruments*** *(Continued)*

(i) *Classification and measurement of financial instruments (Continued)*

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 July 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 July 2018 under HKAS 39	Carrying amount as at 1 July 2018 under HKFRS 9
			HK$'000	*HK$'000*
Debtors, other loans and receivables and deposits	Loans and receivables	Amortised cost	229,804	229,254
Bills receivables	Loans and receivables	Amortised cost	14,310	14,310
Pledged bank deposits	Loans and receivables	Amortised cost	11,851	11,851
Bank balances and cash	Loans and receivables	Amortised cost	92,212	92,212
Equity investments	FVTPL	FVTPL	59,522	59,522

(ii) *Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognise ECLs for trade and other receivables and financial assets at amortised cost earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

(a) ***HKFRS 9 – Financial Instruments*** *(Continued)*

(ii) *Impairment of financial assets (Continued)*

Measurement and recognition of ECL

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade and other receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

(a) ***HKFRS 9 – Financial Instruments*** *(Continued)*

(ii) Impairment of financial assets (Continued)

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

As at 1 July 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

The table below illustrates the classification and measurement (including impairment) of debtors, other loans and receivables at the date of initial application, 1 July 2018.

	Debtors, other loans and receivables *HK$'000*	**Accumulated losses** *HK$'000*
Closing balance at 30 June 2018 – HKAS 39 (audited)	229,804	(1,131,502)
Effect arising from initial application of HKFRS 9: Remeasurement		
Impairment under ECL model	(550)	(550)
Closing balance at 1 July 2018 (Unaudited)	229,254	(1,132,052)

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

(a) ***HKFRS 9 – Financial Instruments*** *(Continued)*

(iii) *Transition*

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in reserves as at 1 July 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "**DIA**"):

– The determination of the business model within which a financial asset is held;

– The designation and revocation of previous designations of certain financial assets as measured at FVTPL; and

– The designation of certain equity investments not held for trading as at FVOCI.

If a debt investment had low credit risk at the DIA, the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

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

(b) HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 July 2018). As a result, the financial information presented for 2017 has not been restated.

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

– When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

– When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

– When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

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

(b) HKFRS 15 – Revenue from Contracts with Customers *(Continued)*

Product/service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 July 2018
(i) manufactures and trading of cables and wires; (ii) manufactures and trading of copper rods; and (iii) trading of metallurgical grade bauxite.	Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognised when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable within 30 to 60 days. **Right of return** The Group's contracts with customers from the sale of products provides customers a right of return (a right to exchange another product). These rights of return do not allow the returned goods to be refunded in cash.	**Right of return** Under HKAS 18, revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provided that all other revenue recognition criteria are met. If a reasonable estimate could not be made, such revenue would be deferred until the return period lapsed or a reasonable estimate could be made. Under HKFRS 15, right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised. **Impact** The Directors considered that the financial impact of the returned goods is minimal, with reference to the historical returned goods pattern and the management assessment of possible return of goods. The adoption of HKFRS 15 does not result in significant impact on the Group's accounting policies, as an exchange by customers of one product for another of the same type, quality, condition and price is not considered a return for the purposes of applying HKFRS 15.
(iv) leasing of investment properties	Revenue is recognised in equal instalments over the accounting periods covered by the lease term.	**Impact** HKFRS 15 did not result in significant impact on the Group's accounting policies. Due to the revenue from leasing of investment properties will continued to be accounted for in accordance with HKAS 17.

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

(b) ***HKFRS 15 – Revenue from Contracts with Customers*** *(Continued)*

The directors consider that the application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised for contracts from (i) manufactures and trading of cables and wires, (ii) manufactures and trading of copper rods and (iii) trading of metallurgical grade bauxite. Revenue is recognised when the control of the products are transferred to the customers at a point in time, being products are delivered to the customers with specified shipping terms, the customers have full discretion over the usage of the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group have objective evidence that all criteria for acceptance have been satisfied.

3. TURNOVER AND SEGMENTAL INFORMATION

(a) ***Reportable segments***

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

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

(i) manufacture and trading of cables and wires;

(ii) manufacture and trading of copper rods;

(iii) trading of metallurgical grade bauxite; and

(iv) investment properties.

3. TURNOVER AND SEGMENTAL INFORMATION *(Continued)*

(a) ***Reportable segments*** *(Continued)*

In prior years, the Group acquired its mining operation located in the State of Mongolia and became engaged in the mining business. However, no active operation took place since the date of acquisition and therefore the directors of the Company consider that the mining operation did not constitute a business segment as at 31 December 2017 and 31 December 2018, and for the periods then ended for the purpose of segment reporting.

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

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

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

3. TURNOVER AND SEGMENTAL INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

For the six months ended 31 December 2018 (Unaudited)

	Cables and wires HK$'000	Copper rods HK$'000	Metallurgical grade bauxite HK$'000	Investment properties HK$'000	Others HK$'000	Total HK$'000	Elimination HK$'000	Total HK$'000
Revenue from external customers	93,965	67,611	–	5,046	1,604	168,226	–	168,226
Inter-segment revenue	–	14,818	–	–	–	14,818	(14,818)	–
Reportable segment revenue	93,965	82,429	–	5,046	1,604	183,044	(14,818)	168,226
Reportable segment (loss)/profit	(6,501)	(8,743)	–	16,321	(40,225)	(39,148)	797	(38,351)
Finance costs	(2,883)	(2,273)	–	–	–	(5,156)	–	(5,156)
Change in fair value of derivative financial instruments	–	(269)	–	–	(639)	(908)	–	(908)
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	–	–	–	–	(24,649)	(24,649)	–	(24,649)
Change in fair value of investment properties	600	–	–	12,499	–	13,099	–	13,099
Reversal of impairment loss for doubt debts, net	–	797	–	–	128	925	–	925
Share of results of associates	–	–	–	–	(1,889)	(1,889)	–	(1,889)
Share of results of joint ventures	–	–	–	–	(81)	(81)	–	(81)
Depreciation of property, plant and equipment								
– allocated	(3,404)	(2,350)	–	(513)	(24)	(6,291)	–	(6,291)
– unallocated								(1,384)
Taxation	(38)	–	–	–	–	(38)	–	(38)

3. TURNOVER AND SEGMENTAL INFORMATION *(Continued)*

(a) ***Reportable segments*** *(Continued)*
For the six months ended 31 December 2017 (Unaudited)

	Cables and wires *HK$'000*	Copper rods *HK$'000*	Metallurgical grade bauxite *HK$'000*	Investment properties *HK$'000*	Others *HK$'000*	Total *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue from external customers	96,950	91,787	–	6,258	5,235	200,230	–	200,230
Inter-segment revenue	–	14,371	–	–	–	14,371	(14,371)	–
Reportable segment revenue	96,950	106,158	–	6,258	5,235	214,601	(14,371)	200,230
Reportable segment profit/(loss)	2,533	(9,775)	(129)	13,462	(1,541)	4,550	3,526	8,076
Finance costs	(1,584)	(1,380)	(167)	–	–	(3,131)	–	(3,131)
Change in fair value of derivative financial instruments	–	(845)	–	–	–	(845)	–	(845)
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	–	–	–	–	546	546	–	546
Change in fair value of investment properties	2,200	–	–	8,464	–	10,664	–	10,664
Change in fair value of profit guarantee	–	–	–	–	(5,880)	(5,880)	–	(5,880)
Share of results of associates	–	–	–	–	8,609	8,609	–	8,609
Share of results of joint ventures	–	–	–	–	(88)	(88)	–	(88)
Depreciation of property, plant and equipment								
– allocated	(3,123)	(2,919)	–	(868)	(116)	(7,026)	–	(7,026)
– unallocated								(1,458)
Taxation	–	–	45	–	–	45	–	45

3. TURNOVER AND SEGMENTAL INFORMATION *(Continued)*

(a) *Reportable segments (Continued)*

As at 31 December 2018 (Unaudited)

	Cables and wires HK$'000	Copper rods HK$'000	Metallurgical grade bauxite HK$'000	Investment properties HK$'000	Others HK$'000	Total HK$'000
Reportable segment assets	194,682	264,944	1,480	234,010	322,790	1,017,906
Additions to non-current assets	2,668	-	-	-	-	2,668
Reportable segment liabilities	124,913	69,204	-	3,816	7,340	205,273

As at 30 June 2018 (Audited)

	Cables and wires HK$'000	Copper rods HK$'000	Metallurgical grade bauxite HK$'000	Investment properties HK$'000	Others HK$'000	Total HK$'000
Reportable segment assets	190,148	271,488	1,823	293,555	289,502	1,046,516
Additions to non-current assets	4,199	–	–	–	61,685	65,884
Reportable segment liabilities	99,687	75,758	–	7,720	7,956	191,121

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

	For the six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
(Loss)/profit before taxation		
Reportable segment (loss)/profit	**(38,351)**	8,076
Unallocated corporate income	**23**	10,255
Unallocated finance costs	**(100)**	(1,073)
Unallocated corporate expenses	**(20,855)**	(14,224)
Consolidated (loss)/profit before taxation	**(59,283)**	3,034

3. **TURNOVER AND SEGMENTAL INFORMATION** *(Continued)*

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

	31 December 2018 *HK$'000* *(Unaudited)*	30 June 2018 *HK$'000* *(Audited)*
Assets		
Reportable segment assets	**1,017,906**	1,046,516
Mining right	**553,228**	553,426
Interests in joint ventures	**32,848**	32,791
Unallocated bank balances and cash	**4,414**	8,740
Unallocated corporate assets	**9,150**	12,614
Consolidated total assets	**1,617,546**	1,654,087

	31 December 2018 *HK$'000* *(Unaudited)*	30 June 2018 *HK$'000* *(Audited)*
Liabilities		
Reportable segment liabilities	**205,273**	191,121
Taxation	**119**	92
Deferred tax liabilities	**48,388**	50,245
Unallocated corporate liabilities	**11,640**	12,601
Consolidated total liabilities	**265,420**	254,059

3. TURNOVER AND SEGMENTAL INFORMATION *(Continued)*

(c) Geographical information

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

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

	For the six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
PRC	**125,491**	150,685
Americas	**7,354**	10,089
Europe	**17,133**	16,617
Hong Kong	**10,487**	15,485
Other regions	**7,761**	7,354
	168,226	200,230

4. (LOSS)/PROFIT BEFORE TAXATION

This has been arrived at after charging/(crediting):

	For the six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Depreciation of property, plant and equipment	**7,675**	8,484
Provision made for inventories	**136**	472
Charge of prepaid lease payments for land	**1,672**	1,174
Exchange differences, net	**17,564**	(22,368)

5. FINANCE COSTS

	For the six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interest on borrowings	**5,256**	3,131
Imputed interest on promissory notes	**–**	1,073
	5,256	4,204

6. TAXATION

	For the six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Current tax – other jurisdictions		
Tax for the period	**38**	–
Over-provision for the prior periods	**–**	(45)
	38	(45)

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

7. DIVIDEND

The directors do not recommend the payment of any dividend for the six months ended 31 December 2018 (six months ended 31 December 2017: HK$Nil).

8. (LOSS)/EARNINGS PER SHARE

(a) *Basic (loss)/earnings per share*

The calculation of basic (loss)/earnings per share amounts for the six months ended 31 December 2018 is based on the (loss)/profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the period.

(Loss)/profit	**For the six months ended 31 December**	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
(Loss)/profit attributable to owners of the Company for the purpose of basic (loss)/earnings per share	**(59,507)**	3,239

Number of shares	**For the six months ended 31 December**	
	2018	2017
	(Unaudited)	*(Unaudited)*
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**2,369,600,646**	2,351,549,280

8. **(LOSS)/EARNINGS PER SHARE** *(Continued)*

(b) Diluted (loss)/earnings per share

(Loss)/profit	**For the six months ended 31 December**	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
(Loss)/profit attributable to owners of the Company for the purpose of diluted (loss)/earnings per share	**(59,507)**	3,239

Number of shares	**For the six months ended 31 December**	
	2018	2017
	(Unaudited)	*(Unaudited)*
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	**2,369,600,646**	2,351,549,280
Effect of dilutive potential ordinary shares:		
– share options	**–**	97,380,000
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**2,369,600,646**	2,448,929,280

The computation of diluted (loss)/earnings per share amounts for the six months ended 31 December 2018 does not assume the exercise 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.

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

9. PROPERTY, PLANT AND EQUIPMENT AND PREPAYMENT FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2018, the Group purchased property, plant and equipment of HK$2,668,000 (six months ended 31 December 2017: HK$3,543,000). In addition, HK$6,830,000 of property, plant and equipment was disposed of by the Group for the six months ended 31 December 2018 (six months ended 31 December 2017: HK$ Nil).

As at 31 December 2018, the Group made prepayment for the acquisition of property, plant and equipment amounted to HK$34,161,000 (30 June 2018: HK$ Nil).

10. INVESTMENT PROPERTIES

	31 December 2018	30 June 2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Fair value:		
At the beginning of period/year	**303,146**	259,889
Fair value gains, net	**13,099**	37,540
Currency realignment	**(9,900)**	5,717
At end of period/year	**306,345**	303,146

The Group's investment properties were valued at 31 December 2018 by LCH (Asia-Pacific) Surveyors Limited and Peak Vision Appraisals Limited. They are independent firms of professionally qualified valuers, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued. The valuation of the investment properties was arrived at by capitalising the rental income derived from existing tenancies with due provision for any reversionary income potential of the tenancies using the investment approach. For the portion of the properties which are currently vacant, direct comparison approach is used by making reference to comparable sales evidence in the relevant market. These valuations gave rise to net fair value gains of HK$13,099,000 during the current period (six months ended 31 December 2017: gain of HK$10,664,000).

Direct operating expenses arising on the investment properties during the period amounted to HK$77,000 (six months ended 31 December 2017: HK$99,000).

11. INTANGIBLE ASSETS

	Mining right HK$'000	Trading right HK$'000	Goodwill HK$'000	Total HK$'000
COST:				
At 1 July 2018 (Audited)	1,167,915	630	57,570	1,226,115
Exchange realignments	(203)	–	–	(203)
At 31 December 2018 (Unaudited)	**1,167,712**	**630**	**57,570**	**1,225,912**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:				
At 1 July 2018 (Audited)	614,489	–	11,351	625,840
Exchange realignments	(5)	–	–	(5)
At 31 December 2018 (Unaudited)	**614,484**	**–**	**11,351**	**625,835**
NET CARRYING AMOUNT:				
At 31 December 2018 (Unaudited)	**553,228**	**630**	**46,219**	**600,077**
At 30 June 2018 (Audited)	553,426	630	46,219	600,275

Mining right

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

Trading right

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

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

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

At 31 December 2018, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of approximately HK$55,072,000 (30 June 2018: HK55,743,000).

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

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

	31 December 2018 *HK$'000* *(Unaudited)*	30 June 2018 *HK$'000* *(Audited)*
Within 30 days	**18,370**	28,222
31–60 days	**18,086**	12,146
61–90 days	**10,847**	10,621
Over 90 days	**7,769**	4,754
	55,072	55,743

(iii) At 31 December 2018, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to approximately HK$2,325,000 (30 June 2018: HK$3,010,000) resulting from the net settlements of derivative financial instruments which were in the closed-out positions at the end of reporting period.

13. BILLS RECEIVABLE

As at 31 December 2018 and 30 June 2018, all bills receivable aged within 90 days.

14. DERIVATIVE FINANCIAL INSTRUMENTS

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

The fair value of the derivative financial liabilities at 31 December 2018 as provided by the banks or financial institutions amounted to approximately and HK$30,000 (30 June 2018: derivative financial liabilities of approximately HK$67,000). The fair values of copper future contracts are determined based on the quoted market prices provided by banks or financial institutions at the end of reporting periods. The loss on change in fair value of derivative financial instruments of approximately HK$908,000 (six months ended 31 December 2017: loss of HK$845,000) has been recognised in the profit or loss during the period. All of these derivative financial instruments are not designated as hedging instruments.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2018	30 June 2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Equity securities held for trading and listed in Hong Kong	**36,422**	59,522

The fair values of the equity securities are determined based on the quoted market prices. During the period, a loss on change in fair value of HK$20,924,000 (six months ended 31 December 2017: gain of HK$657,000) and a net loss on disposal of HK$3,725,000 (six months ended 31 December 2017: loss of HK$111,000) were recognised in profit or loss.

16. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

At 31 December 2018, included in the Group's creditors, other advances and accrued charges were trade creditors of HK$35,251,000 (30 June 2018: HK$34,573,000).

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

	31 December 2018 ***HK$'000*** ***(Unaudited)***	30 June 2018 *HK$'000* *(Audited)*
Within 30 days	**19,151**	20,318
31–60 days	**5,638**	7,199
61–90 days	**605**	2,037
Over 90 days	**9,857**	5,019
	35,251	34,573

17. BORROWINGS

During the six months ended 31 December 2018, the Group raised new borrowings of HK$91,241,000 (six months ended 31 December 2017: HK$25,289,000) to provide for additional working capital; made repayment of HK$56,886,000 (six months ended 31 December 2017: HK$Nil). The borrowings of HK$158,176,000 of the Group are secured. The average effective interest rates of the bank borrowings range from 5.44% to 7.83% (30 June 2018: 6.09% to 7.83%) per annum. The average effective interest rates of the other loans were 10% to 16.8% (30 June 2018: 10%) per annum.

18. SHARE CAPITAL

	Number of shares		Share capital	
	31 December 2018 **'000** ***(Unaudited)***	30 June 2018 *'000* *(Audited)*	**31 December 2018** ***HK$'000*** ***(Unaudited)***	30 June 2018 *HK$'000* *(Audited)*
Ordinary shares of HK$0.01 each:				
Authorised	**50,000,000**	50,000,000	**500,000**	500,000
Issued and fully paid:				
At beginning of the period/year	**2,365,032**	2,351,232	**23,650**	23,512
Issue of shares on exercise of share options (Note 20)	**9,500**	13,800	**95**	138
At end of the period/year	**2,374,532**	2,365,032	**23,745**	23,650

19. CAPITAL COMMITMENTS

	31 December 2018 ***HK$'000*** ***(Unaudited)***	30 June 2018 *HK$'000* *(Audited)*
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of:		
Buildings	**22,774**	450

20. SHARE OPTION SCHEME

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

Under the Scheme, the Board of the Company may grant options to the Participants to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share, subject to a maximum of 235,223,234 shares, representing approximately 10% of the issued share capital of the Company as at the date of special general meeting on 8 December 2017.

No share options were granted during the six months ended 31 December 2018 (six months ended 31 December 2017: Nil). No equity-settled share-based payment was recognised in profit or loss accordingly (six months ended 31 December 2017: HK$Nil). During the six months ended 31 December 2018, 9,500,000 and 75,080,000 share options were exercised and lapsed respectively. As at 31 December 2018, the Company had no share options outstanding under the Scheme (30 June 2018: 84,580,000).

21. RELATED PARTY TRANSACTIONS

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

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

22. PLEDGE OF ASSETS

As at 31 December 2018, the Group has pledged investment properties and pledged bank deposits in the aggregate amount of HK$224,753,000 (30 June 2018: HK$180,101,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board announced that for the six months ended 31 December 2018 (the "**period under review**"), the total turnover of the Group was approximately HK$168,226,000, representing a decrease of 16.0% as compared to approximately HK$200,230,000 recorded for the corresponding period last year. During the period under review, loss attributable to the owners of the Company was approximately HK$59,507,000, as compared to profit attributable to the owners of the Company of approximately HK$3,239,000 for the corresponding period last year. Loss per share for the period under review was approximately HK2.51 cents (Earning per share for 2017/18 interim: HK0.14 cent).

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 31 December 2018 (31 December 2017 interim: nil).

BUSINESS REVIEW

The Group's turnover for the period under review was approximately HK$168,226,000, representing a decrease of 16.0% as compared to approximately HK$200,230,000 for the same period of last year. By business segments, the turnover of the cables and wires business was approximately HK$93,965,000, representing a decrease of 3.1% as compared to approximately HK$96,950,000 for the same period of last year and accounted for 55.8% of the Group's total turnover. Turnover of the copper rod business was approximately HK$67,611,000, representing a decrease of 26.3% as compared to approximately HK$91,787,000 for the same period of last year and accounted for 40.2% of the Group's total turnover. Turnover of the leasing business was approximately HK$5,046,000, representing a decrease of 19.4% as compared to approximately HK$6,258,000 for the same period of last year and accounted for 3.0% of the Group's total turnover. Turnover of other business was approximately HK$1,604,000 and accounted for 1.0% of the Group's total turnover, as compared to approximately HK$5,235,000 for the same period of last year.

By geographical market segments, turnover from the business in the Americas decreased by 27.1% to approximately HK$7,354,000 from approximately HK$10,089,000 for the same period of last year, accounting for 4.4% of the Group's total turnover. Turnover from the business in Mainland China and Hong Kong decreased by 18.2% to approximately HK$135,978,000 from approximately HK$166,170,000 for the same period of last year, accounting for 80.8% of the Group's total turnover. Turnover from the business in Europe increased by 3.1% to approximately HK$17,133,000 from approximately HK$16,617,000 for the same period of last year, accounting for 10.2% of the Group's total turnover. Turnover from the business in other regions increased by 5.5% to approximately HK$7,761,000 from approximately HK$7,354,000 for the same period of last year, accounting for 4.6% of the Group's total turnover.

Cables and Wires

The Group's turnover of the cables and wires business for the period under review was approximately HK$93,965,000, representing a decrease of 3.1% as compared to approximately HK$96,950,000 for the same period of last year. The major customers are primarily manufacturers of white goods appliances. During the period under review, the domestic and overseas macro-economic conditions bring serious challenges to the Company's development, resulting in difficult operating conditions in the manufacturing industry. The Group has been proactively monitoring the development of the US-China trade war as well as the direction of upcoming policies in Mainland China and has carried out research and adjustments accordingly to adopt appropriate market strategies.

Copper Rod Business

The copper rod business comprises the manufacturing and trading of copper rods and copper wires and their related products. During the period under review, the turnover of the copper rod business was approximately HK$67,611,000, representing a decrease of 26.3% as compared to approximately HK$91,787,000 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 dropped during the period under review and the 3-month London Metal Exchange copper price decreased from approximately US$6,600 at the beginning of the period under review to approximately US$6,000 at the end of the period under review. As the US-China trade war results in anxiety over the economic outlook and has an impact of the fluctuation in copper price, the operating environment for the trading of copper wires business becomes difficult. The Group will closely monitor the development of the US-China trade war and adopt corresponding strategies.

Metallurgical Grade Bauxite Trading Business

During the period under review, no turnover was recorded in the metallurgical grade bauxite trading business and commodities for this business were mainly imported from Malaysia, while the authority in Malaysia has implemented a suspension order on bauxite mining since the beginning of 2016 and has further extended the suspension order to March 2019 in order to monitor mining operations and alleviate water pollution problems. Due to the policies and business uncertainties in that place, the Group will proactively consider reallocating resources to other developable businesses.

Rental Income

Investment properties of the Group include a plant property in Qiaozi, a factory property in Shanghai Qingpu District, a residential property in Dongguan Changping Town and an industrial property in Kowloon Bay. During the period under review, rental income was approximately HK$5,046,000, representing a decrease of approximately 19.4% as compared to approximately HK$6,258,000 for the same period last year.

Mining

The Group's mineral resources are concentrated in Dundgobi Aimag and Bayan-Ulgii Aimag, Mongolia. During the period under review, apart from the required work to maintain mining rights, no large-scale capital investment was undertaken during the period under review. The Group is looking for strategic alliance partners who have experience in exploring mines to negotiate the possibility of cooperation in excavating and exploring mineral resources in Mongolia.

Securities Business

The performance of the securities business during the period under review was still sluggish, with turnover of approximately HK$1,604,000, representing a significant decrease of approximately 69.4% as compared to approximately HK$5,235,000 for the same period of last year. During the period, operating expense has been reduced and strategic investors introduced, however, under the impact of various factors in the external market, including the China-US trade war, there was a significant fluctuation in the equity market during the period under review, which hinders investor's intention to invest. In addition, as there was fierce competition in the industry with competitors lowering their brokerage fee in order to attract clients, the operating environment of the securities industry remains harsh. The Group will closely monitor the development of the market and make appropriate adjustments.

Advertising Business

The Group owns 49% of the issued capital of Idea International Holdings Limited ("**Idea**"). The business scope of Idea includes acting as an integrated brand marketing and advertising company based on media agency, column placement, media delivery and advertisement design and provision of advertising and media related services for clients with famous brands in beverage, IT and motor industries. During the period under review, as the PRC continued to implement the deleveraging policy, some corporate customers in the advertising business met capital turnover difficulties. In order to reduce operating costs, corporate customers reduced excessive spending on brand advertisement and significantly reduced their budget on advertisements. Given the fast-changing market, the rise of new media, and the de-intermediation of brands, the room for development for traditional advertisement companies is severely cramped. The aforementioned factors will adversely impact on the prospect of the advertising industry.

PROSPECTS

On 17 July 2017, the Group completed the acquisition of 80% of the equity interest of Lianjiang Zhou's Marble Limited (廉江市周氏石材有限公司) (the English name is for identification purpose only) ("**Zhou's Marble**") and has obtained the real estate title certificate of the land and the construction land planning permit. The Group is actively preparing for the early work of developing the land in order to establish a stone industry processing and trading base on the lands in Lianjiang. Lianjiang is located in the Northern Bay Area. Such development project is one of the key projects in Lianjiang, which is expected to generate new income for the Group and diversify the business of the Group.

The China-US trade war which broke out in the first half of 2018 seems to be de-escalating. The Group will closely monitor the impact of the trade war on the Group's business and adjust our business development accordingly.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had approximately 500 employees in Hong Kong, the People's Republic of China ("**PRC**") and overseas (30 June 2018: 500). The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund Scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the six months ended 31 December 2018, the Group implemented a prudent financial management policy. As at 31 December 2018, the Group had cash and bank balances amounting to approximately HK$58 million (30 June 2018: HK$87 million) and value of net current assets was approximately HK$184 million (30 June 2018: HK$247 million). The Group's gearing ratio as at 31 December 2018 was 0.12 (30 June 2018: 0.09), being a ratio of total borrowings of approximately HK$158 million (30 June 2018: HK$126 million) to shareholders' funds of approximately HK$1,361 million (30 June 2018: HK$1,409 million).

EXCHANGE RISKS

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

CHARGES ON GROUP ASSETS

As at 31 December 2018, the Group had pledged investment properties with an aggregate net book value of approximately HK$220 million (30 June 2018: HK$168 million) and pledged bank deposit of HK$5 million (30 June 2018: HK$12 million) to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2018, the Company had issued guarantees to the extent of approximately HK$50 million (30 June 2018: HK$10 million) to secure the total loans of approximately HK$50 million (30 June 2018: HK$10 million) granted to its subsidiaries.

Financial instruments for hedging purposes

For the period under review, the Group entered into copper forward contracts ("**Derivative Financial Instruments**") to manage copper price risks. The Group's overall financial risk management is to ensure that transactions undertaken by the Group are in accordance with the Group's policies and not for speculative purposes. The outstanding Derivative Financial Instruments had been revalued and stated at their fair value as at 31 December 2018 and the changes in fair value were charged to the income statement. The net loss of the Derivative Financial Instruments for the period under review was approximately HK$908,000 (31 December 2017 interim: net loss of HK$845,000).

CAPITAL STRUCTURE

The Company did not make any fund raisings or any capital reorganisation during the period under review and the Group does not have any other fund raising plans as at the date of this report.

SIGNIFICANT INVESTMENT

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

SHARE OPTIONS

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 December 2012, the Company adopted a share option scheme (the "**Share Option Scheme**"). The details of the Share Option Scheme are set out in a circular to the shareholders of the Company dated 24 October 2012 and a summary of the Share Option Scheme was set out in the Company's 2018 Annual Report.

Details of the Options granted, exercised, cancelled and lapsed during the period under review under the Share Option Scheme are set out below:

				Number of Share Options					
Name or category of participants	Date of grant	Exercisable period	Exercise price *HK$* Note (1)	Outstanding at 1.7.2018	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 31.12.2018
Directors									
Chau Lai Him	7 October 2016	14 October 2016 to 6 October 2018	0.355	18,580,000	–	–	–	(18,580,000)	–
Zhou Jin Hua	7 October 2016	14 October 2016 to 6 October 2018	0.355	17,000,000	–	–	–	(17,000,000)	–
Liu Dong Yang	7 October 2016	14 October 2016 to 6 October 2018	0.355	17,000,000	–	–	–	(17,000,000)	–
Chau Chi Ho	7 October 2016	14 October 2016 to 6 October 2018	0.355	17,000,000	–	(9,500,000)	–	(7,500,000)	–
Others	7 October 2016	14 October 2016 to 6 October 2018	0.355	15,000,000	–	–	–	(15,000,000)	–
				84,580,000	–	(9,500,000)	–	(75,080,000)	–

Notes:

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

(2) The weighted average closing price of the shares immediately before the date on which the share options were exercised was HK$0.890 per share.

The Company has not granted any additional share options or adopted any share options scheme during the period under review.

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

As at 31 December 2018, the interest of the Directors and their associates in the ordinary shares of the Company at nominal value of HK$0.01 each ("**Shares**"), underlying shares or debentures of the Company or any of the Company's associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code (the "**Model Code**") for Securities Transactions by Directors set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

Name of Director	Capacity	Number of Shares held in long position	Percentage of the issued share capital of the Company
Chau Chi Ho	Beneficial owner	29,000,000	1.22%
Lo Wai Ming	Beneficial owner	400,000	0.02%
Lo Chao Ming	Beneficial owner	300,000	0.01%

Other than as disclosed above, as at 31 December 2018, none of the Directors nor the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of the Company's associated corporation (within the meaning of Part XV of the SFO), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as is known to the Directors and chief executives of the Company, as at 31 December 2018, there were no persons who had a notifiable interest or short position in the shares or underlying shares of the Company recorded in the register kept by the Company pursuant to section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the six months ended 31 December 2018.

COMPLIANCE WITH THE CODE PROVISIONS

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

Code provision A.2.1

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

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

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

Code provision A.4.1

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

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

Code provision A.4.3

Under Code provision A.4.3, if an independent non-executive director serves more than nine years, his or her 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 Kam Kwong 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 re-appointment of Mr. Chung Kam Kwong as an independent non-executive Director of the Company.

Mr. Lo Wai Ming has been an independent non-executive Director of the Company for more than nine years since 6 January 2000. In accordance with the Bye-laws of the Company, Mr. Lo Wai Ming retired from office by rotation at the 2017 annual general meeting of the Company held on 8 December 2017 (the "**2017 AGM**") and offered himself for re-election at the 2017 AGM. An ordinary resolution was passed at the 2017 AGM to approve the re-appointment of Mr. Lo Wai Ming as an independent non-executive Director of the Company.

Mr. Lo Chao Ming has been an independent non-executive Director of the Company for more than nine years since 16 November 2006. In accordance with the Bye-laws of the Company, Mr. Lo Chao Ming retired from office by rotation at the 2018 annual general meeting of the Company held on 7 December 2018 (the "**2018 AGM**") and offered himself for re-election at the 2018 AGM. An ordinary resolution was passed at the 2018 AGM to approve the re-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.

On 5 December 2018, the Board adopted the revised terms of reference of the Audit Committee. The terms of reference were amended with accordance to the Code Provision C.3.2 in the Code (as contained in Appendix 14 of the Listing Rules and with effect from 1 January 2019) pursuant to which the cooling off period for appointing a former partner of the Company's audit firm as an audit committee member would be extended from 1 year to 2 years.

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

BOARD DIVERSITY POLICY

On 5 December 2018, the Board adopted the new board diversity policy in compliance with the Code Provision A.5.6 in the Code as contained in Appendix 14 of the Listing Rules, which came into effect on 1 January 2019.

DIRECTOR NOMINATION POLICY

On 5 December 2018, the Board adopted the director nomination policy in compliance with the Mandatory Disclosure Requirement L.(d)(ii) in the Code as contained in Appendix 14 of the Listing Rules, which came into effect on 1 January 2019.

DIVIDEND POLICY

On 5 December 2018, the Board adopted the dividend policy in compliance with the Code Provision E.1.5 in the Code as contained in Appendix 14 of the Listing Rules, which came into effect on 1 January 2019.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding Directors' securities transactions. Having made specific enquiries with all of the Directors, each of the Directors confirmed that he had complied with the required standards set out in the Model Code throughout the period under review.

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

Hong Kong, 27 February 2019