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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1166)

2018/2019 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 2019 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 2019

	Notes	2019 HK$'000	2018 HK$'000
Turnover	3 and 4	**317,134**	395,380
Cost of sales		**(285,513)**	(357,583)
Gross profit		**31,621**	37,797
Interest income		**13,263**	8,033
Other income and gains		**10,952**	14,326
General and administrative expenses		**(138,041)**	(95,185)
Selling and distribution expenses		**(6,966)**	(8,614)
Finance costs	6	**(13,449)**	(10,296)
Change in fair value of derivative financial instruments, net		**(1,132)**	738
Change in fair value of investment properties, net	10	**41,618**	37,540
Change in fair value and gain or loss on disposal of financial assets at fair value through profit or loss, net		**(32,085)**	7,387
Change in fair value of profit guarantee	5	**–**	(5,880)
Expected credit loss/impairment loss for doubtful debts, net		**(3,725)**	(2,475)

* *For identification purposes only*

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Impairment loss on intangible assets	12	**(143,351)**	(23,952)
Impairment loss on property, plant and equipment		**–**	(7,122)
Impairment loss on interests in associates	14	**(27,863)**	(42,519)
(Impairment loss)/reversal of impairment loss on interests in joint ventures	15	**(16,363)**	2,734
Loss on disposal of subsidiaries	17	**–**	(1,236)
Share of results of associates		**(11,608)**	8,626
Share of results of joint ventures		**(162)**	(209)
Loss before taxation		**(297,291)**	(80,307)
Taxation	7	**(5,545)**	(5,368)
Loss for the year		**(302,836)**	(85,675)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**9,471**	(3,625)
Share of other comprehensive income of associates		**(1,369)**	534
Share of other comprehensive income of joint ventures		**141**	82
Reclassification adjustment on exchange differences for a foreign operation disposed of during the year		**–**	13,965
Other comprehensive income for the year		**8,243**	10,956
Total comprehensive income for the year		**(294,593)**	(74,719)
Loss attributable to:			
Owners of the Company		**(301,963)**	(85,639)
Non-controlling interests		**(873)**	(36)
		(302,836)	(85,675)
Total comprehensive income attributable to:			
Owners of the Company		**(294,089)**	(74,426)
Non-controlling interests		**(504)**	(293)
		(294,593)	(74,719)
Loss per share:	9		
– Basic and diluted (HK$)		**(0.127)**	(0.036)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Non-current assets			
Property, plant and equipment		**58,543**	80,318
Prepayment for acquisition of property, plant and equipment	13	**34,134**	–
Investment properties	10	**321,160**	303,146
Prepaid lease payments for land	11	**100,354**	107,552
Intangible assets	12	**456,723**	600,275
Other assets		**200**	200
Interests in associates	14	**52,238**	79,311
Interests in joint ventures	15	**16,407**	32,791
Total non-current assets		**1,039,759**	1,203,593
Current assets			
Inventories		**22,685**	31,657
Debtors, other loans and receivables, deposits and prepayments	16	**229,449**	237,968
Bills receivable		**4,261**	14,310
Financial assets at fair value through profit or loss		**26,699**	59,522
Derivative financial assets		**24**	–
Prepaid lease payments for land		**2,853**	2,974
Pledged bank deposits		**2,274**	11,851
Bank balances held on behalf of brokerage clients		**46**	5,147
Bank balances and cash		**59,992**	87,065
		348,283	450,494
Assets classified as held for sale	21	**13,119**	–
Total current assets		**361,402**	450,494

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Current liabilities			
Creditors, other advances and accrued charges	18	**61,399**	77,514
Derivative financial liabilities		**–**	67
Borrowings		**158,090**	126,141
Taxation		**72**	92
Total current liabilities		**219,561**	203,814
Net current assets		**141,841**	246,680
Total assets less current liabilities		**1,181,600**	1,450,273
Non-current liabilities			
Promissory notes	19	**14,004**	–
Deferred tax liabilities		**53,575**	50,245
Total non-current liabilities		**67,579**	50,245
Total net assets		**1,114,021**	1,400,028
EQUITY			
Capital and reserves			
Share capital		**23,745**	23,650
Reserves		**1,098,499**	1,385,056
Equity attributable to owners of the Company		**1,122,244**	1,408,706
Non-controlling interests		**(8,223)**	(8,678)
Total equity		**1,114,021**	1,400,028

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	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	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
Loss for the year	–	–	–	–	–	–	–	(85,639)	(85,639)	(36)	(85,675)
Exchange difference on translation of foreign operations	–	–	–	(3,368)	–	–	–	–	(3,368)	(257)	(3,625)
Share of other comprehensive income of associates	–	–	–	534	–	–	–	–	534	–	534
Share of other comprehensive income of joint ventures	–	–	–	82	–	–	–	–	82	–	82
Reclassification adjustment on exchange differences for a foreign operation disposal of during the year	–	–	–	13,965	–	–	–	–	13,965	–	13,965
Total comprehensive income for the year	–	–	–	11,213	–	–	–	(85,639)	(74,426)	(293)	(74,719)
Exercise of share options	138	6,878	–	–	–	–	(2,128)	–	4,888	–	4,888
Forfeiture of share options	–	–	–	–	–	–	(2,284)	2,284	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	(1)	(1)
At 30 June 2018	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	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 as originally presented (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	–	–	–	–	–	–	–	(4,650)	(4,650)	–	(4,650)
At 1 July 2018 as restated	23,650	1,823,623	612,360	(4,273)	4,866	66,475	13,507	(1,136,152)	1,404,056	(8,678)	1,395,378
Loss for the year	–	–	–	–	–	–	–	(301,963)	(301,963)	(873)	(302,836)
Exchange difference on translation of foreign operations	–	–	–	9,102	–	–	–	–	9,102	369	9,471
Share of other comprehensive income of associates	–	–	–	(1,369)	–	–	–	–	(1,369)	–	(1,369)
Share of other comprehensive income of joint ventures	–	–	–	141	–	–	–	–	141	–	141
Total comprehensive income for the year	–	–	–	7,874	–	–	–	(301,963)	(294,089)	(504)	(294,593)
Share-based payment by granting share options	–	–	–	–	–	–	8,414	–	8,414	–	8,414
Exercise of share options	95	4,809	–	–	–	–	(1,532)	–	3,372	–	3,372
Lapse of share options	–	–	–	–	–	–	(11,975)	11,975	–	–	–
Transfer to statutory reserve	–	–	–	–	12	–	–	(12)	–	–	–
Changes in non-controlling interests without change in control	–	–	–	–	–	–	–	491	491	959	1,450
At 30 June 2019	23,745	1,828,432	612,360	3,601	4,878	66,475	8,414	(1,425,661)	1,122,244	(8,223)	1,114,021

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 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 2019

1. ORGANISATION AND OPERATIONS

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information in the annual report.

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, 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 also the functional currency of the Company.

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

(a) Adoption of new/revised HKFRSs – effective on 1 July 2018

Annual Improvements to HKFRSs 2014 – 2016 Cycle	Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014 – 2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Except as explained below, the adoption of these amendments has no material impact on the Group's consolidated financial statements.

HKFRS 9 – 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 from 1 July 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

(i) Classification and measurement of financial instruments

The following tables summarised the impact of transition to HKFRS 9 on the opening balances of accumulated losses as at 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	(4,650)
Restated Accumulated losses as at 1 July 2018	(1,136,152)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("**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. 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.

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 FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised cost**"); (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) FVTPL (as defined above). 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 is 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:

- It is held within a business model whose objective is to hold the financial asset 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 achieved by both collecting contractual cash flows and selling the financial asset; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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:

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.
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.

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	225,154
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 debtors and other financial assets at amortised cost earlier than HKAS 39. Bank balances and cash, pledged bank deposits and bills receivables are subject to ECL model but the impairment is immaterial for the current year.

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

Measurement of ECLs

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 debtors 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 financial assets, the ECLs are based on the 12-month ECLs. The 12-month 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 ECLs, 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, depending on credit worth of customers.

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

Presentation of ECLs

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

Impact of the ECL model

(a) Impairment of debtors

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all debtors. To measure the ECLs, debtors have been grouped based on shared credit risk characteristics and the number of days past due.

Applying the ECL model results in the recognition of ECLs for debtors of HK$550,000 on 1 July 2018 and net reversal of impairment of HK$6,875,000 for the year ended 30 June 2019 respectively.

(b) Impairment of other loans and receivables and deposits

Other financial assets at amortised cost of the Group includes other loans and receivables and deposits. The Group applies the 3-stage approach (i.e. the general approach to measure ECLs for other loans and receivables and deposits.

Applying the ECL model results in the recognition of ECLs for other loans and receivables and deposits of HK$4,100,000 on 1 July 2018 and a further impairment of HK$10,600,000 for the year ended 30 June 2019 respectively.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECL rules are therefore not reflected in the consolidated statement of financial position as at 30 June 2018, but are recognised in the consolidated statement of financial position on 1 July 2018. This means that differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses 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 determination of the business model within which a financial asset is held have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "**DIA**").

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

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-step 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.

The application of HKFRS 15 has had no material impact on the timing and amounts of revenue recognised during the year ended 30 June 2019 and on retained earnings and other components of equity as at 1 July 2018 in the consolidated financial statements. The directors are of the view that the Group's outputs are expected on a proportionate basis to measure the progress of satisfying the performance obligation in rendering the services to customers with reference to the Group's typical contracts.

Under HKAS 18, the Group recorded the receipts in advance from manufacturing and trading of cables and wires and copper rods under "creditors, other advances and accrued charges". Such balances were reclassified from creditors, other advances and accrued charges to liabilities upon the adoption of HKFRS 15 as at 1 July 2018.

	HK$'000
Current liabilities	
Creditors, other advances and accrued charges	
– Contract liabilities	1,850
– Receipt in advance	(1,850)
Total current liabilities	–

Details of the new significant accounting policies in relation to the Group's various goods and services arising from contracts with customers.

Adoption of HKFRS 15 does not lead to significant changes to previous accounting policies on sales of goods and provision of services.

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 January 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. Warranty Some of the Group's contracts with customers from the sale of product provides standard warranty service for defective goods to assure that the product sold complies with the agreed-upon specifications within 6 months following the date of delivery.	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 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 (for example, exchanging the product for one of a different colour or size) is not considered a return for the purposes of applying HKFRS 15. Warranty Prior to the adoption of HKFRS 15, warranty was accounted under HKAS 37. Under HKFRS 15, warranty gives rise to a separate performance obligation if a warranty provides a customer with a service in addition to the assurance that the product complies with agreed-upon specifications. Therefore, an entity shall allocate the transaction price to the product and the service. Impact The adoption of HKFRS 15 does not result in significant impact on the Group's accounting policies as an assurance-type warranty does not give arise to an additional performance obligation.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015 – 2017 Cycle	Amendments to HKFRS 3 Business Combinations[1]
Annual Improvements to HKFRSs 2015 – 2017 Cycle	Amendments to HKFRS 11 Joint Arrangements[1]
Annual Improvements to HKFRSs 2015 – 2017 Cycle	Amendments to HKAS 12 Income Taxes[1]
Annual Improvements to HKFRSs 2015 – 2017 Cycle	Amendments to HKAS 23 Borrowing Costs[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] No mandatory effective date yet determined but available for adoption

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 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 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 will adopt HKFRS 16 from 1 July 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses at 1 July 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application.

The total future minimum lease payments under non-cancellable operating leases of the Group in respect of certain office premises and motor vehicles as at 30 June 2019 amounted to HK$5,657,000. The directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance. Unless the exemptions allowed by the standard on lease contracts who lease terms end within 12 months as of the date of initial application are applicable, it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated statement of cash flows.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12 Income Taxes by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVOCI if specified conditions are met, instead of at FVTPL.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Amendments to HKFRS 10 and HKAS 28 (2011) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendments clarify that HKFRS 9 applies to long-term interests ("**LTI**") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulate that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015 – 2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarify that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition-date fair value.

Annual Improvements to HKFRSs 2015 – 2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition-date fair value.

Annual Improvements to HKFRSs 2015 – 2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015 – 2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. Except for those disclosed above, the Group has so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

3. TURNOVER

Revenue derived from the Group's principal activities comprises of the followings:

	2019 *HK$'000*	2018 *HK$'000*
Revenue from contracts with customers:		
Sales of goods	**303,858**	374,885
Others	**4,034**	8,341
	307,892	383,226
Revenue from other sources:		
Rental income	**9,187**	11,550
Others	**55**	604
	9,242	12,154
	317,134	395,380

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) 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 2018 and 2019 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 2019

	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	176,494	127,419	–	9,187	4,034	317,134	–	317,134
Inter-segment revenue	–	24,057	–	–	–	24,057	(24,057)	–
Reportable segment revenue	176,494	151,476	–	9,187	4,034	341,191	(24,057)	317,134
Reportable segment (loss)/profit	(27,123)	4,915	(18)	36,158	(133,625)	(119,693)	–	(119,693)
Finance costs	(7,652)	(4,566)	–	–	–	(12,218)	–	(12,218)
Change in fair value of derivative financial instruments, net	–	(494)	–	–	(638)	(1,132)	–	(1,132)
Change in fair value and loss on disposal of financial assets at fair value through profit or loss, net	–	–	–	–	(32,085)	(32,085)	–	(32,085)
Change in fair value of investment properties, net	7,841	–	–	33,777	–	41,618	–	41,618
Gain on disposal of property, plant and equipment	4,281	2,079	–	–	–	6,360	–	6,360
(Reversal of expected credit loss)/expected credit loss for doubtful debts, net	(8,625)	4,710	–	–	190	(3,725)	–	(3,725)
Impairment loss on interests in associates	–	–	–	–	(27,863)	(27,863)	–	(27,863)
Share of results of associates	–	–	–	–	(11,608)	(11,608)	–	(11,608)
Depreciation of property, plant and equipment								
– allocated	(6,694)	(4,118)	–	(1,031)	(2,709)	(14,552)	–	(14,552)
– unallocated	–	–	–	–	–	–	–	(45)
								(14,597)
Taxation	(1,883)	4,767	–	(9,804)	1,375	(5,545)	–	(5,545)

For the year ended 30 June 2018

	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	196,081	179,408	–	11,550	8,341	395,380	–	395,380
Inter-segment revenue	–	35,916	–	–	–	35,916	(35,916)	–
Reportable segment revenue	196,081	215,324	–	11,550	8,341	431,296	(35,916)	395,380
Reportable segment (loss)/profit	(6,704)	(17,199)	(10)	41,225	(63,295)	(45,983)	–	(45,983)
Finance costs	(3,432)	(4,324)	–	–	–	(7,756)	–	(7,756)
Change in fair value of derivative financial instruments, net	–	659	–	–	79	738	–	738
Change in fair value and gain on disposal of financial assets at fair value through profit or loss, net	–	–	–	–	7,387	7,387	–	7,387
Change in fair value of investment properties, net	5,940	–	–	31,600	–	37,540	–	37,540
Change in fair value of profit guarantee	–	–	–	–	(5,880)	(5,880)	–	(5,880)
(Impairment loss)/reversal of impairment loss for doubtful debts, net	(2,177)	(363)	–	–	65	(2,475)	–	(2,475)
Impairment loss on property, plant and equipment	–	(7,122)	–	–	–	(7,122)	–	(7,122)
Impairment loss on interests in associates	–	–	–	–	(42,519)	(42,519)	–	(42,519)
Loss on disposal of a subsidiary	–	–	–	–	(1,236)	(1,236)	–	(1,236)
Share of results of associates	–	–	–	–	8,626	8,626	–	8,626
Depreciation of property, plant and equipment								
– allocated	(6,607)	(5,911)	–	(1,717)	(3,055)	(17,290)	–	(17,290)
– unallocated								(60)
								(17,350)
Taxation	(405)	2,736	45	(7,744)	–	(5,368)	–	(5,368)

As at 30 June 2019

	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	**162,759**	**266,080**	**–**	**319,977**	**154,375**	**903,191**
Additions to non-current assets	**2,914**	**–**	**–**	**–**	**47,903**	**50,817**
Reportable segment liabilities	**127,064**	**64,171**	**–**	**11,696**	**2,618**	**205,549**

As at 30 June 2018

	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, assets and liabilities

	For the year ended 30 June	
	2019 *HK$'000*	2018 *HK$'000*
Loss before taxation		
Reportable segment loss	**(119,693)**	(45,983)
Impairment loss on intangible assets	**(143,351)**	(23,952)
Impairment loss/(reversal of impairment loss) on interests in joint ventures	**(16,363)**	2,734
Share of results of joint ventures	**(162)**	(209)
Unallocated finance costs	**(1,231)**	(2,540)
Share-based payment expenses	**(8,414)**	–
Unallocated corporate expenses	**(8,077)**	(10,357)
Consolidated loss before taxation	**(297,291)**	(80,307)

	30 June 2019	30 June 2018
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**903,191**	1,046,516
Mining right	**456,723**	553,426
Interests in joint ventures	**16,407**	32,791
Unallocated bank balances and cash	**2,085**	8,740
Unallocated corporate assets	**22,755**	12,614
Consolidated total assets	**1,401,161**	1,654,087
Liabilities		
Reportable segment liabilities	**205,549**	191,121
Taxation	**72**	92
Promissory notes	**14,004**	–
Deferred tax liabilities	**53,575**	50,245
Unallocated corporate liabilities	**13,940**	12,601
Consolidated total liabilities	**287,140**	254,059

(c) Geographical information

The Group's operations are conducted in Hong Kong, the PRC, Americas, Europe and other Asian regions.

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets ("**Specified non-current assets**").

	Revenue from external customers		**Specified non-current assets**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**240,425**	303,340	**433,023**	468,817
Americas	**13,857**	17,164	**–**	–
Europe	**32,598**	34,237	**–**	–
Hong Kong	**18,146**	27,415	**114,388**	139,933
Other Asian regions	**12,108**	13,224	**476,811**	594,643
	317,134	395,380	**1,024,222**	1,203,393

The revenue information above is based on the locations of the customers. The non-current asset information above is based on the locations of the assets.

(d) Disaggregation of revenue by timing of revenue recognition

For the year ended 30 June 2019

	Cables and wires *HK$'000*	**Copper rods** *HK$'000*	**Investment properties** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Revenue from contracts with customers disaggregated by timing of revenue recognition					
– At a point in time	**176,439**	**127,419**	**–**	**4,034**	**307,892**
– Transferred over time	**–**	**–**	**–**	**–**	**–**
	176,439	**127,419**	**–**	**4,034**	**307,892**
Revenue from other sources	**55**	**–**	**9,187**	**–**	**9,242**
	176,494	**127,419**	**9,187**	**4,034**	**317,134**

For the year ended 30 June 2018

	Cables and wires *HK$'000*	Copper rods *HK$'000*	Investment properties *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from contracts with customers disaggregated by timing of revenue recognition					
– At a point in time	195,477	179,408	–	8,341	383,226
– Transferred over time	–	–	–	–	–
	195,477	179,408	–	8,341	383,226
Revenue from other sources	604	–	11,550	–	12,154
	196,081	179,408	11,550	8,341	395,380

(e) Information about major customers

Revenue from external customers contributing 10% or more of the total revenue of the Group is as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Copper rods segment		
Customer A	**56,702**	86,211
Customer B	**39,158**	53,159

5. LOSS BEFORE TAXATION

Loss from operations is arrived at after charging/(crediting) the followings:

	2019 *HK$'000*	2018 *HK$'000*
Auditor's remuneration	**2,150**	2,040
Charge of prepaid lease payments for land	**2,885**	2,711
Depreciation of property, plant and equipment	**14,597**	17,350
Carrying amount of inventories sold	**286,837**	355,448
(Reversal of write-down)/write-down of inventories	**(1,324)**	2,135
Cost of inventories recognised as expenses *(Note (i))*	**285,513**	357,583
Change in fair value of profit guarantee *(Note (ii))*	**–**	5,880
Lease payments under operating leases	**12,264**	12,601
(Gain)/loss on disposal of property, plant and equipment	**(6,360)**	115
Exchange difference, net	**35,066**	(10,444)
Impairment loss on intangible assets	**143,351**	23,952
Impairment loss on property, plant and equipment	**–**	7,122
Impairment loss on interests in associates	**27,863**	42,519
Impairment loss/(reversal of impairment loss) on interests in joint ventures	**16,363**	(2,734)
Expected credit loss/impairment loss for doubtful debts, net	**3,725**	2,475
Share of results of associates	**11,608**	(8,626)
Share of results of joint ventures	**162**	209
Share-based payment expenses	**8,414**	–
Staff costs (including directors' remuneration)	**59,546**	65,478

Notes:

(i) Included in cost of inventories is HK$28,224,000 (2018: HK$30,024,000) relating to staff costs and depreciation of property, plant and equipment. The amounts are also included in the respective total amounts as separately disclosed above.

(ii) The profit guarantee arose from the Group's acquisition of 49% equity interest in Idea International Holdings Limited ("**IDEA**"), which was subsequently measured at fair value after initial recognition. During the year ended 30 June 2018, the profit guarantee had been achieved and derecognised at a loss on change in fair value of HK$5,880,000 recognised in profit or loss.

6. FINANCE COSTS

	2019 *HK$'000*	2018 *HK$'000*
Interest on borrowings	**13,214**	8,439
Imputed interest on promissory notes *(Note 19)*	**235**	1,857
	13,449	10,296

7. TAXATION

	2019 *HK$'000*	2018 *HK$'000*
Current tax for the year		
Hong Kong profits tax		
– provision for the year	**–**	–
Taxation in other jurisdictions:		
– provision for the year	**91**	40
– under-provision in respect of previous years	**162**	458
	253	498
Deferred tax for the year	**5,292**	4,870
	5,545	5,368

No provision for Hong Kong profits tax is made for current year and prior year as there is no assessable profits arising in Hong Kong for both 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 corporate income tax for enterprises in the PRC is calculated at the applicable standard rate of 25% for both years.

8. DIVIDEND

The directors did not recommend the payment of any dividend for the years ended 30 June 2018 and 2019.

9. LOSS PER SHARE

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

	2019 *HK$'000*	2018 *HK$'000*
Loss attributable to owners of the Company	**(301,963)**	(85,639)

	2019	2018
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,372,059,737**	2,354,853,025

The computation of diluted loss per share 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 years ended 30 June 2019 and 2018.

10. INVESTMENT PROPERTIES

	2019	2018
	HK$'000	*HK$'000*
Fair value at beginning of year	**303,146**	259,889
Change in fair value	**41,618**	37,540
Exchange realignment	**(10,485)**	5,717
	334,729	303,146
Less: classified as held for sale *(Note 21)*	**(13,119)**	–
Fair value at end of year	**321,160**	303,146

The Group's investment properties were valued at 30 June 2019 by 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 available as in the relevant market. These valuations gave rise to net fair value gains of HK$41,618,000 (2018: HK$37,540,000) during the year.

11. PREPAID LEASE PAYMENTS FOR LAND

	2019	2018
	HK$'000	*HK$'000*
Carrying amount at beginning of year	**110,526**	51,009
Additions	**–**	61,662
Disposal	**(62)**	–
Charged to the profit or loss during the year	**(2,885)**	(2,711)
Exchange realignment	**(4,372)**	566
Carrying amount at end of year	**103,207**	110,526

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

	2019	2018
	HK$'000	*HK$'000*
Leasehold land situated in the PRC	**102,999**	110,248
Leasehold land situated in Hong Kong	**208**	278
	103,207	110,526
Analysed for reporting purposes as:		
Non-current	**100,354**	107,552
Current	**2,853**	2,974
	103,207	110,526

12. INTANGIBLE ASSETS

	Mining right *HK$'000*	Trading right *HK$'000*	Goodwill *HK$'000*	Total *HK$'000*
COST:				
At 1 July 2017	1,168,048	630	57,570	1,226,248
Exchange realignment	(133)	–	–	(133)
At 30 June 2018 and 1 July 2018	1,167,915	630	57,570	1,226,115
Exchange realignment	(204)	–	–	(204)
At 30 June 2019	**1,167,711**	**630**	**57,570**	**1,225,911**
ACCUMULATED AMORTISATION AND IMPAIRMENT:				
At 1 July 2017	601,891	–	–	601,891
Impairment	12,601	–	11,351	23,952
Exchange realignment	(3)	–	–	(3)
At 30 June 2018 and 1 July 2018	614,489	–	11,351	625,840
Impairment	96,502	630	46,219	143,351
Exchange realignment	(3)	–	–	(3)
At 30 June 2019	**710,988**	**630**	**57,570**	**769,188**
NET CARRYING AMOUNT:				
At 30 June 2019	**456,723**	**–**	**–**	**456,723**
At 30 June 2018	553,426	630	46,219	600,275

13. PREPAYMENT FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	2019 ***HK$'000***	2018 *HK$'000*
Prepayments made for acquisition of property, plant and equipment	**34,134**	–

14. INTERESTS IN ASSOCIATES

	2019 ***HK$'000***	2018 *HK$'000*
Share of net assets	**33,600**	37,802
Goodwill	**18,638**	41,509
	52,238	79,311

Particulars of the Group's associates as at 30 June 2019 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of effective interest held by the Group	Principal activities
Idea International Holdings Ltd.#	Limited liability company	Cayman Islands	49% (direct)	Investment holding
Idea Advertising Holdings Ltd.#	Limited liability company	BVI	49% (indirect)	Investment holding
Idea Advertising Hong Kong Company Ltd.#	Limited liability company	Hong Kong	49% (indirect)	Investment holding
廣州市藝典廣告有限公司#	Limited liability company	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#	Limited liability company	PRC	49% (indirect)	Advertising and media services, branding and marketing services, corporate image and strategy services and innovation strategy services
霍爾果斯藝典廣告有限公司#	Limited liability company	PRC	49% (indirect)	Advertising and media services, branding and marketing services, corporate image and strategy services and innovation strategy services
Ocean Pride Ventures Limited*	Limited liability company	BVI	17% (direct)	Investment holding
Vietta Investment Holdings Limited*	Limited liability company	Hong Kong	17% (indirect)	Investment holding
江門市健輝照明科技有限公司*	Limited liability company	PRC	17% (indirect)	Investment holding
江門市博林照明科技有限公司*	Limited liability company	PRC	17% (indirect)	Research, development, processing and sales of some furnishing lighting appliances, LED lighting products and other electrical materials and parts for various electrical appliances in the PRC

Collectively known as the "Idea Group".

* Collectively known as the "Ocean Pride Group", acquired during the year ended 30 June 2019.

15. INTERESTS IN JOINT VENTURES

	2019	2018
	HK$'000	*HK$'000*
Shares of net assets	**32,770**	32,791
Less: impairment	**(16,363)**	–
	16,407	32,791

Particulars of the Group's joint ventures as at 30 June 2019 are as follows:

Name of joint venture	**Place of incorporation/ operation**	**Proportion of effective interest held by the Group**	**Principal activities**
Venture Max Limited	BVI	10% (direct)	Investment holding
Mongolian Copper Mining LLC	Mongolia	10% (indirect)	Mining business (not yet commenced)

The Group has joint control over the arrangements as unanimous consent is required from all parties to the arrangements for the relevant activities of the aforesaid companies. The contractual arrangement in relation to the aforesaid companies provide the Group with only the rights to the net assets of the joint arrangements, with the rights to the assets and obligation for the liabilities of the joint arrangements resting primarily with these companies.

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

	2019	2018
	HK$'000	*HK$'000*
Trade debtors, net	**45,421**	55,743
Loan receivables	**148,994**	98,789
Prepayments	**5,955**	8,164
Deposits and other receivables, net	**29,079**	75,272
	229,449	237,968

(i) The Group usually grants credit period ranging from 30 to 60 days (2018: 30 to 60 days) to its trade customers.

(ii) The aging analysis of net trade debtors, based on invoice date, as of the end of the reporting period is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**21,100**	28,222
31 – 60 days	**9,226**	12,146
61 – 90 days	**7,283**	10,621
Over 90 days	**7,812**	4,754
	45,421	55,743

17. DISPOSAL AND DEEMED DISPOSAL OF SUBSIDIARIES

For the year ended 30 June 2019

During the year, 2,981,748 new shares of Pico Zeman were allotted and subscribed by the then director of Pico Zeman at an aggregate amount of HK$1,450,000. Upon the completion of these subscription, the Group's equity interest in Pico Zeman was reduced from 100% to 93.94%. Such deemed disposal does not result in the loss of control on Pico Zeman and is accounted for as an equity transaction with non-controlling interest.

The Group and an independent third party agreed to make capital injection into a Group's then wholly-owned subsidiary, DG Yunxin, amounted to RMB31,000,000 (equivalent to approximately HK$36,270,000) and RMB32,670,000 (equivalent to approximately HK$37,167,000) respectively. Upon the completion of capital injection, the equity interest of the Group in DG Yunxin reduced to 51%. As at 30 June 2019, the capital injection has not been completed.

The Group also disposed of its 49% equity interest in a then wholly-owned subsidiary On Legend at a cash consideration of HK$490. The disposal does not result in the loss of control on On Legend and is accounted for as an equity transaction with non-controlling interest.

For the year ended 30 June 2018

The Group disposed 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 was principally engaged in holding of land use rights, and manufacturing and trading of cables and wires in the PRC.

The assets and liabilities of the Disposal Group at the date of disposal are:

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

18. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

	2019	2018
	HK$'000	*HK$'000*
Trade creditors	**23,136**	34,573
Receipt in advance	**–**	1,850
Contract liabilities	**1,577**	–
Other payables and accruals	**36,686**	41,091
	61,399	77,514

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

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**11,821**	20,318
31 – 60 days	**5,393**	7,199
61 – 90 days	**854**	2,037
Over 90 days	**5,068**	5,019
	23,136	34,573

19. PROMISSORY NOTES

During the prior years, 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 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.

On 30 April 2019, the Company issued promissory note with principal amount of HK$15,000,000 as the consideration to acquire 17% equity interest of Ocean Pride Ventures Limited (Note 20). The promissory note was unsecured, bear interest at 6% per annum and matured at 30 April 2021.

The promissory notes are initially recognised at their fair values at the dates of issue and subsequently measured at amortised cost using the effective interest method.

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

	2019	2018
	HK$'000	*HK$'000*
At 1 July	**–**	23,871
Issued at fair value	**13,769**	–
Imputed interest	**235**	1,857
Redemption	**–**	(23,000)
Interest paid	**–**	(2,728)
	14,004	–

20. ACQUISITION OF ASSOCIATES

During the year ended 30 June 2019, the Group completed the acquisition of 17% equity interests in Ocean Pride and its subsidiaries (collectively the "Ocean Pride Group") at an aggregate nominal consideration of HK$15,000,000 which was satisfied in promissory notes of HK$15,000,000 in favour of the vendor by the Company upon the date of completion of acquisition.

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

	HK$'000
Fair value of consideration:	
Promissory notes issued *(Note 19)*	13,769
Fair value of identifiable assets and liabilities of Ocean Pride Group attributable to the Group	(8,777)
Goodwill	4,992

21. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 30 June 2019, the Group and certain independent third parties entered into sale and purchase agreements, pursuant to which the Group agreed to dispose of and the independent third parties agreed to purchase certain investment properties of the Group at an aggregate consideration of HK$13,700,000. As at 30 June 2019, the disposal of the investment properties has not been completed and these investment properties were classified as held for sale and measured at fair value at HK$13,119,000 (2018: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board announces that for the year ended 30 June 2019 (the "**year under review**"), total turnover of the Group was approximately HK$317,134,000, representing a decrease of 19.8% as compared to approximately HK$395,380,000 recorded for the corresponding period last year. During the year under review, loss attributable to owners of the Company was approximately HK$301,963,000, as compared to the loss attributable to owners of the Company of approximately HK$85,639,000 for the corresponding period last year. Loss per share for the year under review was approximately HK$0.13 (Loss per share for 2017/18: HK$0.04).

BUSINESS REVIEW

The Group's turnover for the year under review was approximately HK$317,134,000, representing a decrease of 19.8% as compared to approximately HK$395,380,000 for the same period of last year. By business segments, the turnover of the cables and wires business was approximately HK$176,494,000, representing a decrease of 10.0% as compared to approximately HK$196,081,000 for the same period of last year and accounted for 55.6% of the Group's total turnover. Turnover of the copper rod business was approximately HK$127,419,000, representing a decrease of 29.0% as compared to approximately HK$179,408,000 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$9,187,000, representing a decrease of 20.5% as compared to approximately HK$11,550,000 for the same period of last year and accounted for 2.9% of the Group's total turnover. Turnover of other business was approximately HK$4,034,000 and accounted for 1.3% of the Group's total turnover, as compared to approximately HK$8,341,000 for the same period of last year.

By geographical market segments, turnover from the business in the Americas decreased by 19.3% to approximately HK$13,857,000 from approximately HK$17,164,000 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 21.8% to approximately HK$258,571,000 from approximately HK$330,755,000 for the same period of last year, accounting for 81.5% of the Group's total turnover. Turnover from the business in Europe decreased by 4.8% to approximately HK$32,598,000 from approximately HK$34,237,000 for the same period of last year, accounting for 10.3% of the Group's total turnover. Turnover from the business in other regions decreased by 8.4% to approximately HK$12,108,000 from approximately HK$13,224,000 for the same period of last year, accounting for 3.8% 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$176,494,000, representing a decrease of 10.0% as compared to approximately HK$196,081,000 for the same period of last year. The major customers are primarily manufacturers of white goods appliances. During the year under review, the ongoing Sino-US trade war brought uncertainties to China's and foreign economy, which led to the 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 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$127,419,000, representing a decrease of 29.0% as compared to approximately HK$179,408,000 for the same period of last year. International copper prices dropped during the year under review and the 3-month London Metal Exchange copper price decreased from approximately US$6,600 at the beginning of the year under review to approximately US$6,000 at the end of the year under review. As China is the biggest copper import country in the world, additional tariffs imposed by the US will decrease the demand of China, and since the Sino-US trade war has casted shadow to economic prospects and resulted in continuous low copper prices, the operating conditions of the copper rod trading business will remain difficult. The Group will closely monitor the development of the Sino-US trade war and adopt appropriate strategies accordingly.

Rental Income

Investment properties of the Group mainly comprise industrial properties in Hong Kong and the PRC. During the year under review, rental income was approximately HK$9,187,000, representing a decrease of approximately 20.5% as compared to approximately HK$11,550,000 for the same period last year. Such decrease was mainly due to the lack of leasing of the plant in Qingpu District, Shanghai.

Metallurgical Grade Bauxite Trading Business

During the year 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 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.

Mining

The Group's mineral resources are concentrated in Dundgobi Aimag and Bayan-Ulgii Aimag, Mongolia. During the year under review, with the escalating Sino-US trade war, the demand for non-ferrous metal in China and the world may further decrease under the slowdown of economy. Since there are still many uncertainties in the Mongolian and international mining market, the Group has adopted a more cautious investment strategy in relation to the mining investment development in Mongolia. Apart from the work required to maintain mining rights, no large scale capital investment was made during the year under review.

Securities Business

The turnover of the securities business merely amounted to HK$1,953,000 during the year under review, representing a significant decrease of approximately 76.6% as compared with approximately HK$8,341,000 for the same period last year. As competitors lowered their brokerage fee resulting in fierce competition in the industry and thereby high operating costs, coupled with the influence of various external market factors such as the Sino-US trade war, the Hong Kong stock market may experience persistent volatility. Our Directors expect that the market conditions will be increasingly difficult. Therefore, having carefully considered the business development of Pico Zeman Securities (HK) Limited ("**Pico Zeman**") in the foreseeable future, our Directors were of the view that the chance would be slim for Pico Zeman to achieve a turnaround from loss to profit. Therefore, they suspended its securities brokerage, securities advisory and asset management businesses since 12 March 2019, and subsequently decided to cease the operation of Pico Zeman since 3 June 2019. The Board believes that the cessation of securities business will better serve the interests of the Group and Shareholders as a whole.

Advertising Business

The Group owns 49% of the issued capital of Idea International Holdings Limited ("**Idea**"). During the year under review, as confidence in the PRC's general economic market was shaken, the advertising market in the PRC has entered a period of intensified adjustment. While there has been an overall significant decline in the advertising market of the PRC, conventional markets have experienced an even greater decline. 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 had material adverse impacts on the advertising business and its prospects during the year under review.

Trading Business

During the year under review, 東莞橋梓周氏電業有限公司 (Dongguan Qiaozi Chau's Electrical Co., Ltd*) ("**Dongguan Qiaozi**"), an indirect wholly-owned subsidiary of the Company, and 供銷外貿市場經營管理(廣東)有限公司 (Gongxiao Waimao Market Operation Management (Guangdong) Company Limited*) ("**Gongxiao Waimao**") entered into a cooperation agreement on 14 March 2019 and severally undertook to increase their capital contribution to 東莞市韵鑫高分子科技有限公司 (Dongguan Yunxin Polymer Technology Company Limited*) ("**Dongguan Yunxin**"). Upon completion of the capital increase, Dongguan Yunxin will be held by Dongguan Qiaozi and Gongxiao Waimao as to 51% and 49% respectively, and the name of Dongguan Yunxin was subsequently changed to 東莞優品商貿發展有限公司 (Dongguan Youpin Business Development Co., Ltd.*) ("**Dongguan Youpin**") with effect from 1 April 2019. The business of Dongguan Youpin covers, inter alia, grocery wholesale, materials of non-ferrous metals, building materials, import and export and other ancillary services. Gongxiao Waimao is engaged in the provision of all-rounded commercial services and wholesales in the PRC and has extensive experience and clientele in the groceries wholesale business. The Directors are of the view that the Disposal and the Capital Increase could enhance financial strengths of Dongguan Yunxin and will create synergy effect with the Group's existing business.

PROSPECTS

The Sino-US trade war, which broke out in 2018, has shown no sign of mitigating so far. Trade tensions between China and the US have led to widespread concerns over the development of the global economy, and the upstream customers of the cables business of the Group were the first to be affected by the increased tariff in the Sino-US trade war. In order to disperse risks, they were planning to relocate their businesses to Southeast Asian countries in view of the low cost of labor, the abundance of raw materials, and the ability to avoid the tariff pressure flowing from trade tensions there. For the avoidance of losing these customers and for seeking greater business opportunities, the Group is exploring the feasibility of moving some of its production lines to Southeast Asia. The Group will closely monitor the impact of the trade war on the Group's business and make adjustments on our business development accordingly.

廉江市周氏石材有限公司 (Lianjiang Zhou's Marble Limited*) ("**Zhou's Marble**"), an indirect non-wholly owned subsidiary of the Company, is in active preparation for land development project. Preliminary work, such as land formation and geotechnical engineering investigation, has been completed, and the State-owned Land Use Permit and Construction Land Use Permit have been obtained. Zhou's Marble is expected to satisfy all the conditions for the completion of the construction and obtain necessary permits in the second half of 2019. The Company is determined to establish a stone industry processing and trading base on the lands in Lianjiang, hoping to generate new income for the Group and diversify the business of the Group.

The Group will proactively identify potential business partners and new business opportunities with growth potential to achieve a balanced development with existing operations, expand its income sources, realize diversified and sustainable development and increase shareholders' values.

* *For identification purpose only.*

FINAL DIVIDEND

The Board resolved not to pay any final dividend for the year ended 30 June 2019.

ANNUAL GENERAL MEETING

The 2019 Annual General Meeting of the Company (the "**2019 AGM**") will be held on Friday, 6 December 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the qualification as shareholders of the Company to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Tuesday, 3 December 2019 to Friday, 6 December 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify as shareholders of the Company to attend and vote at the 2019 AGM, investors are required to lodge all properly completed share transfer documents accompanied by the relevant share certificates with the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 2 December 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, 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 year ended 30 June 2019, the Group implemented a prudent financial management policy. As at 30 June 2019, the Group had cash and bank balances amounting to approximately HK$60 million (30 June 2018: HK$87 million) and value of net current assets was approximately HK$142 million (30 June 2018: HK$247 million). The Group's gearing ratio as at 30 June 2019 was 0.15 (30 June 2018: 0.09), being a ratio of total borrowings and promissory notes of approximately HK$172 million (30 June 2018: HK$126 million) to shareholders' funds of approximately HK$1,122 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 30 June 2019, the Group had pledged investment properties with an aggregate net book value of approximately HK$241 million (30 June 2018: HK$168 million) and pledged bank deposit of HK$2 million (30 June 2018: HK$12 million) to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2019, 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 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 2019 and the changes in fair value were charged to the income statement. The net loss from the Derivative Financial Instruments for the year under review was approximately HK$1,132,000 (2017/18: net gain of HK$738,000).

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

On 14 November 2018, the Company announced that the address of the Company's head office and principal place of business in Hong Kong has been changed to Unit 15, 18/F, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong with effect from 19 November 2018.

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

On 2 July 2019, the Company announced that with effect from 11 July 2019, the Hong Kong branch share registrar and transfer office of the Company, Tricor Secretaries Limited, has changed its address to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

CHANGE OF ADDRESS OF BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

On 22 July 2019, the Company announced that with effect from 19 July 2019, the principal share registrar and transfer office of the Company in Bermuda, MUFG Fund Services (Bermuda) Limited, had changed its address to 4th floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.

CAPITAL STRUCTURE

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

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 17% OF THE ENTIRE ISSUED SHARE CAPITAL OF OCEAN PRIDE VENTURES LIMITED

On 8 March 2019, the Company announced that the Company and Kadesh Resources Limited (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "**Agreement**") with Sonic Sunway Limited (the "**Vendor**"). Pursuant to the Agreement, the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell 8,500 ordinary shares in the capital of Ocean Pride Ventures Limited (the "**Target Company**"), representing 17% of the issued share capital of the Target Company (the "**Acquisition**") at the consideration of HK$15,000,000 (the "**Consideration**").

On 30 April 2019, the Purchaser, the Vendor and the Company entered into a side letter agreement (the "**Side Letter Agreement**"), pursuant to which the parties to the Side Letter Agreement irrevocably agreed that the full Consideration would be settled by way of issue of the promissory note (the "**Promissory Note**") with a 24-month maturity and 6% of interest per annum (instead of partly by way of cash as previously stipulated in the Agreement). The transferrable Promissory Note was issued by the Company for the principal amount of HK$15,000,000 with 24-month term at 6% interest per annum in favour of the Vendor.

Upon completion, the Company would indirectly hold 17% of the entire issued share capital of the Target Company, which indirectly holds the business of 江門市博林照明科技有限公司 (Jiangmen Bolin Lighting Technology Company Limited*) (the "**Operating Company**") through the target group (the "**Target Group**", including the Target Company, the Operating Company, Vietta Investment Holdings Limited ("**Vietta Investment**") and 江門市健輝照明科技有限公司 (Jiangmen Jianhui Lighting Technology Company Limited*) ("**Jiangmen Jianhui**")), which would not be treated as the subsidiaries of the Company and the financial statements of which would not be consolidated into the financial statements of the Group.

* *For identification purposes only*

The Group has been actively exploring business opportunities to engage in new lines of business with growth potential and broaden its income stream in order to achieve diversified and sustainable development. The Target Group is engaged in the research, development, processing and sales of home furnishing lighting appliances, LED lighting products and other electrical materials and parts for various electrical appliances in the PRC. The Directors are of the view that the Acquisition could help further diversify the Group's business and will expand and create synergy effect with the Group's existing business. The Directors further consider that the business of manufacturing low-carbon lighting products in the PRC has shown growth potential and expect that the diversification of the income stream will boost the Shareholders' value and benefit the Company and the Shareholders.

On 30 April 2019, the Company further announced that all the conditions of the Acquisition were fulfilled and the completion of the Acquisition successfully took place on 30 April 2019. Since certain of the applicable percentage ratios of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company for the purposes of, and are subject to the reporting and announcement requirements under, Chapter 14 of the Listing Rules.

The details and completion of the Acquisition were set out in the announcements of the Company dated 8 March 2019 and 30 April 2019.

DISCLOSEABLE TRANSACTION IN RELATION TO DEEMED DISPOSAL OF EQUITY INTEREST IN DONGGUAN YUNXIN POLYMER TECHNOLOGY COMPANY LIMITED

On 14 March 2019 (after trading hours), Dongguan Qiaozi and Gongxiao Waimao entered into a cooperation agreement (the "**Cooperation Agreement**"). Pursuant to the Cooperation Agreement, the registered capital of Dongguan Yunxin, a wholly-owned subsidiary of Dongguan Qiaozi and an indirect wholly-owned subsidiary of the Company prior to the Capital Increase (as defined below)) would be increased from RMB3 million (approximately HK$3.51 million) to approximately RMB66.67 million (approximately HK$78.00 million), and Dongguan Qiaozi and Gongxiao Waimao agreed to make a capital commitment in cash of approximately RMB31.00 million (approximately HK$36.27 million) and RMB32.67 million (approximately HK$38.22 million) to Dongguan Yunxin respectively ("**Capital Increase**"). Balance of the registered capital of RMB63.67million (approximately HK$74.49 million) shall be paid up before 31 December 2038.

Upon completion of the Capital Increase, the equity interest of Dongguan Qiaozi in Dongguan Yunxin will be diluted from 100% to 51% ("**Deemed Disposal**"). Dongguan Yunxin would be held as to 51% by Dongguan Qiaozi and as to 49% by Gongxiao Waimao.

The total additional capital of approximately RMB63.67 million (approximately HK$74.49 million) payable by Dongguan Qiaozi and Gongxiao Waimao would be applied by Dongguan Yunxin as general working capital.

The scope of business of Dongguan Yunxin is intended to be, among others, groceries wholesale, metal materials, non-ferrous metals, construction materials, imports and exports, and other ancillary services.

The Group intended to achieve a balanced development through diversified development with the existing business to increase shareholders' values and create room for sustainable development of the Group. The Group had been actively seeking potential business partners and new opportunities with growth potential to broaden its income stream in order to achieve diversified and sustainable development. Gongxiao Waimao is engaged in the provision of all-rounded commercial services and wholesales in the PRC and has extensive experience and clientele in the groceries wholesale business. The Directors are of the view that the Deemed Disposal and the Capital Increase could enhance financial strengths of Dongguan Yunxin and will create synergy effect with the Group's existing business.

The Directors consider that the terms of the Cooperation Agreement are on normal commercial terms, fair and reasonable and the Capital Increase is in the interests of the Company and the Shareholders as a whole.

Following the completion of the Capital Increase, the Group's equity interest in Dongguan Yunxin will be diluted and regarded as a Deemed Disposal pursuant to Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) under each of the Capital Increase and Deemed Disposal exceed 5%, but are all less than 25%, the Deemed Disposal and the Capital Increase constitute a discloseable transaction for the Company under the Listing Rules, and are therefore subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

The details of the discloseable transaction in relation to the Deemed Disposal were set out in the announcements of the Company dated 14 March 2019.

With effect from 1 April 2019, the company name of Dongguan Yunxin has been changed to 東莞優品商貿發展有限公司.

As at the date of this Announcement, the completion of the proposed Capital Increase has yet been taken place.

CESSATION OF BUSINESS OF PICO ZEMAN SECURITIES (HK) LIMITED

On 12 March 2019, the Board announced that Pico Zeman, an indirect non-wholly owned subsidiary of the Company, has suspended its business in securities brokerage, securities advisory and assets management with effect from 12 March 2019. Pico Zeman had taken steps to immediately notify its clients of the suspension of business and has been returning to them the funds and assets held or managed on their behalf. In accordance with the SFO, Pico Zeman had also notified the SFC in relation to the suspension of business.

On 10 June 2019, the Board announced that Pico Zeman has decided to cease its operation and voluntarily surrender the licences issued under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities with effective from 3 June 2019. Since Pico Zeman voluntarily suspended its business on 12 March 2019 in compliance with the SFO, the Company had been in negotiations with potential investors in relation to the possible investment in Pico Zeman in order to raise capital and meet the liquid capital requirement under the SFO and other relevant regulations. However, due to the outbreak of trade war between China and the U.S., the Company and the investors were unable to reach any agreements in relation to any potential investment.

The Board believes that the cessation of the business of Pico Zeman has not had any material effect on the overall operations of the Group.

The details of the suspension and cessation of business of Pico Zeman were set out in the announcements of the Company dated 12 March 2019 and 10 June 2019 respectively.

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 or disposals as at the date of this announcement.

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the year ended 30 June 2019.

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 ("**Mr. Chau**") 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. Chung Kam Kwong will retire from office by rotation at the 2019 AGM and offer himself for re-election. As an Independent Non-executive Director with extensive experience and knowledge in accounting and financial management as well as an in-depth understanding of the Company's operations and business, Mr. Chung has expressed objective views and given independent guidance to the Company over the past years. He continues demonstrating a firm commitment to his role. The Nomination Committee and the Board consider that the long service of Mr. Chung would not affect his exercise of independent judgement and are satisfied that Mr. Chung has the required character, integrity and experience to continue fulfilling the role of an Independent Non-executive Director and consider Mr. Chung to be independent. A separate resolution will be proposed for his re-election at the 2019 AGM.

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 Wai Ming will retire from office by rotation at the 2019 AGM and offer himself for re-election. As an Independent Non-executive Director with extensive experience and knowledge in capital investment, consumer marketing, infrastructure investment and management, business development and corporate finance and in-depth understanding of the Company's operations and business, Mr. Lo has expressed objective views and given independent guidance to the Company over the past years. He continues demonstrating a firm commitment to his role. The Nomination Committee and the Board consider that the long service of Mr. Lo would not affect his exercise of independent judgement and are satisfied that Mr. Lo has the required character, integrity and experience to continue fulfilling the role of an Independent Non-executive Director and consider Mr. Lo to be independent. A separate resolution will be proposed for his re-election at the 2019 AGM.

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 came into effect on 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 has been extended from 1 year to 2 years.

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, the 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.

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 and came into effect on 1 January 2019) pursuant to which the Company should disclose its policy for nomination of directors in the summary of work performed by the Nomination Committee in its corporate governance report.

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.

BOARD DIVERSITY POLICY

On 5 December 2018, the Board adopted the new board diversity policy (the "**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.

The Board Diversity Policy aims to set out the approach to achieve diversity on the Board and does not apply to diversity in relation to the employees of the Company, nor the Board and the employees of any subsidiary of the Company. In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, differences in the talents, skills, regional and industry experience, background, gender, age and other qualities of the members of the Board, in order to maintain an appropriate range and balance of talents, skills, experience and background on the Board. In recommending candidates for appointment to the Board, the Nomination

Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. The Nomination Committee will discuss and agree on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth.

DIVIDEND POLICY

On 5 December 2018, the Board adopted the dividend policy (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).

The Dividend Policy aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value and does not have any pre-determined dividend payout ratio. The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the Bye-Laws of the Company and all applicable laws and regulations and the following factors concerning the Group when considering the declaration and payment of dividends:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

Furthermore, depending on the financial conditions of the Company and the Group and the conditions and factors set out above, dividends (including interim dividend, final dividend, special dividend and any distribution of net profits that the board may deem appropriate) may be proposed and/or declared by the Board for a financial year or period. Any final dividend for a financial year will be subject to shareholders' approval. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

The Dividend Policy stated above will be subject to review by the Board from time to time.

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 of the Company 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, 27 September 2019

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