



## **Solartech International Holdings Limited**

(Incorporated in Bermuda with limited liability)

Stock Code: 1166

2015-2016  
Interim Report

# Corporate Information

## Directors

### Executive Directors

CHAU Lai Him

*(Chairman and Managing Director)*

ZHOU Jin Hua *(Deputy Chairman)*

LIU Dong Yang

BUYAN-OTGON Narmandakh

CHAU Chi Ho

### Independent Non-Executive Directors

CHUNG Kam Kwong

LO Wai Ming

LO Chao Ming

## Company Secretary

CHAN Kam Yee

## Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

## Head Office and Principal Place of Business

No. 7, 2nd Floor

Kingsford Industrial Centre

13 Wang Hoi Road

Kowloon Bay

Kowloon

Hong Kong

## Stock Code

1166

## Website

[www.1166hk.com](http://www.1166hk.com)

## Auditor

BDO Limited

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

## Legal Advisor

Herbert Smith Freehills

23/F, Gloucester Tower

15 Queen's Road Central

Hong Kong

## Bermuda Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

Pembroke HM 08

Bermuda

## Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

## Principal Banks (in alphabetical order)

Bank of China Limited

China CITIC Bank Corporation Limited

DBS Bank (Hong Kong) Limited

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2015

The Board of Directors (the “**Directors**” or the “**Board**”) of Solartech International Holdings Limited (the “**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 31 December 2015, as follows:

		<b>For the six months ended</b>	
		<b>31 December 2015</b>	31 December 2014
Notes		<b>HK\$'000 (Unaudited)</b>	HK\$'000 (Unaudited)
Turnover	3(a)	<b>405,813</b>	416,146
Cost of sales		<b>(358,768)</b>	(395,395)
Gross profit		<b>47,045</b>	20,751
Interest income		<b>25</b>	944
Other income		<b>1,855</b>	2,403
General and administrative expenses		<b>(61,403)</b>	(63,886)
Selling and distribution expenses		<b>(11,878)</b>	(10,983)
Change in fair value of derivative financial instruments	13	<b>(3,109)</b>	(3,101)
Change in fair value and loss on disposal of financial assets at fair value through profit or loss	14	<b>(14,296)</b>	(18,861)
Change in fair value of investment properties, net	9	<b>(4,922)</b>	(573)
(Additional)/reversal of impairment loss recognised for doubtful debts, net		<b>(41)</b>	38
Finance costs		<b>(3,465)</b>	(4,824)
Gain on acquisition of a subsidiary		<b>–</b>	278
Share of results of joint ventures		<b>(7)</b>	(96)
Loss before taxation	4	<b>(50,196)</b>	(77,910)
Taxation	5	<b>(856)</b>	(349)
<b>Loss for the period</b>		<b>(51,052)</b>	(78,259)

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2015

	Note	For the six months ended	
		31 December 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Unaudited)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		2,625	9,405
Other comprehensive income for the period		2,625	9,405
<b>Total comprehensive income for the period</b>		<b>(48,427)</b>	(68,854)
Loss for the period attributable to:			
Owners of the Company		(50,250)	(78,214)
Non-controlling interests		(802)	(45)
		(51,052)	(78,259)
Total comprehensive income for the period attributable to:			
Owners of the Company		(47,135)	(68,809)
Non-controlling interests		(1,292)	(45)
		(48,427)	(68,854)
Loss per share			(Represented)
– Basic and diluted (HK cents)	7	(3.64)	(6.90)

## Condensed Consolidated Statement of Financial Position

	Notes	31 December 2015 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	8	134,955	146,563
Investment properties	9	295,245	313,828
Prepaid lease payments for land		56,644	60,308
Mining right	10	675,380	675,668
Deposits for acquisitions of companies	21	60,000	–
Interests in joint ventures		38,751	38,644
Total non-current assets		1,260,975	1,235,011
<b>Current assets</b>			
Inventories		55,982	45,089
Debtors, other loans and receivables, deposits and prepayments	11	261,285	271,108
Bills receivable	12	11,556	6,937
Financial assets at fair value through profit or loss	14	64,451	48,032
Prepaid lease payments for land		1,950	2,040
Derivative financial assets	13	144	11
Pledged deposits and bank balances		20	362
Bank balances and cash		222,309	162,463
Total current assets		617,697	536,042
<b>Current liabilities</b>			
Creditors, other advances and accrued charges	15	116,280	100,855
Taxation		260	316
Borrowings	16	125,711	67,747
Derivative financial liabilities	13	1,792	153
Total current liabilities		244,043	169,071
<b>Net current assets</b>		<b>373,654</b>	<b>366,971</b>

## Condensed Consolidated Statement of Financial Position

	Note	31 December 2015 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Audited)
<b>Total assets less current liabilities</b>		<b>1,634,629</b>	1,601,982
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>55,871</b>	57,439
Total non-current liabilities		<b>55,871</b>	57,439
<b>Total net assets</b>		<b>1,578,758</b>	1,544,543
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	17	<b>16,328</b>	11,339
Reserves		<b>1,552,028</b>	1,521,510
<b>Equity attributable to owners of the Company</b>		<b>1,568,356</b>	1,532,849
<b>Non-controlling interests</b>		<b>10,402</b>	11,694
<b>Total equity</b>		<b>1,578,758</b>	1,544,543

# Condensed Consolidated Statement of Changes In Equity

For the six months ended 31 December 2015

	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	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2014 (Audited)	18,899	1,394,932	612,360	(10,246)	4,866	-	(349,533)	1,671,278	2,331	1,673,609
Loss for the period	-	-	-	-	-	-	(78,214)	(78,214)	(45)	(78,259)
Exchange difference on translation of foreign operations	-	-	-	9,405	-	-	-	9,405	-	9,405
Total comprehensive income for the period	-	-	-	9,405	-	-	(78,214)	(68,809)	(45)	(68,854)
Surplus on transfer from prepaid lease payments for land and property, plant and equipment to investment properties, net of deferred tax	-	-	-	-	-	56,858	-	56,858	-	56,858
Deemed acquisition of a subsidiary	-	-	-	-	-	-	-	-	8,460	8,460
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	(189)	(189)	-	(189)
At 31 December 2014 (Unaudited)	18,899	1,394,932	612,360	(841)	4,866	56,858	(427,936)	1,659,138	10,746	1,669,884
	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	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2015 (Audited)	11,339	1,569,581	612,360	(20,414)	4,866	58,122	(703,005)	1,532,849	11,694	1,544,543
Loss for the period	-	-	-	-	-	-	(50,250)	(50,250)	(802)	(51,052)
Exchange difference on translation of foreign operations	-	-	-	3,115	-	-	-	3,115	(490)	2,625
Total comprehensive income for the period	-	-	-	3,115	-	-	(50,250)	(47,135)	(1,292)	(48,427)
Placements of new shares (Note 17(iii))	4,989	77,653	-	-	-	-	-	82,642	-	82,642
At 31 December 2015 (Unaudited)	16,328	1,647,234	612,360	(17,299)	4,866	58,122	(753,255)	1,568,356	10,402	1,578,758

# Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2015

	<b>For the six months ended</b>	
	<b>31 December 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Unaudited)
Net cash used in operating activities	<b>(17,403)</b>	(139,983)
Net cash (used in)/generated from investing activities	<b>(62,135)</b>	31,592
Net cash generated from/(used in) financing activities	<b>137,141</b>	(34,069)
Net increase/(decrease) in cash and cash equivalents	<b>57,603</b>	(142,460)
Cash and cash equivalents at beginning of the period	<b>162,463</b>	268,497
Effect of foreign exchange rate changes	<b>2,243</b>	(301)
Cash and cash equivalents at end of the period	<b>222,309</b>	125,736
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	<b>222,309</b>	125,736

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

## 1. Basis of Preparation

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

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 30 June 2015. The accounting policies and method of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the Group’s consolidated financial statements for the year ended 30 June 2015.

## 2. Adoption of Hong Kong Financial Reporting Standards (“**HKFRSs**”)

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2015, which comprise HKFRSs, Hong Kong Accounting Standards (“**HKASs**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s unaudited condensed consolidated interim financial statements and amounts reported for the current period and prior years.

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

### 3. Turnover and Segmental Information

#### (a) Reportable segments

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

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

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

In prior years, the Group acquired its mining operation located in the State of Mongolia and became engaged in the mining business. However, no active operation took place since the date of acquisition and therefore the directors of the Company consider that the mining operation did not constitute a business segment as at 31 December 2014 and 31 December 2015, and for the periods then ended for the purpose of segment reporting.

During the year ended 30 June 2015, the Group changed its internal organisation in a manner that causes the composition of its reportable segments to change with a new reportable investment properties segment which comprises lease business. Accordingly, the segment information and the condensed consolidated statement of comprehensive income for the six months ended 31 December 2014 are represented to confirm the change.

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 (loss)/profit, which is measure of adjusted (loss)/profit before taxation. The adjusted (loss)/profit before taxation is measured consistently with the Group's (loss)/profit 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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 3. Turnover and Segmental Information (Continued)

#### (a) Reportable segments (Continued)

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

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

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 3. Turnover and Segmental Information (Continued)

#### (a) Reportable segments (Continued)

For the six months ended 31 December 2014 (Unaudited) (represented)

	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	110,875	203,519	75,789	5,236	20,727	416,146	–	416,146
Inter-segment revenue	–	10,045	–	–	16,507	26,552	(26,552)	–
Reportable segment revenue	110,875	213,564	75,789	5,236	37,234	442,698	(26,552)	416,146
Reportable segment (loss)/profit	(26,792)	(12,867)	418	(1,593)	(32,055)	(72,889)	–	(72,889)
Finance costs	(1,615)	(3,209)	(761)	–	–	(5,585)	761	(4,824)
Change in fair value of derivative financial instruments	–	(576)	–	–	(2,525)	(3,101)	–	(3,101)
Change in fair value of financial assets at fair value through profit or loss	–	–	–	–	(18,861)	(18,861)	–	(18,861)
Change in fair value of investment properties, net	–	–	–	(573)	–	(573)	–	(573)
Reversal of impairment loss recognised for doubtful debts, net	38	–	–	–	–	38	–	38
Share of results of joint ventures	–	–	–	–	(96)	(96)	–	(96)
Depreciation of property, plant and equipment	(5,056)	(3,192)	(98)	(3,424)	(2,191)	(13,961)	–	(13,961)
Taxation	17	(233)	(133)	–	–	(349)	–	(349)

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 3. Turnover and Segmental Information (Continued)

#### (a) Reportable segments (Continued)

As at 31 December 2015 (Unaudited)

	Cables and wires HK\$'000	Copper rods HK\$'000	Metallurgical grade bauxite HK\$'000	Investment properties HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment assets	202,116	236,305	110,817	373,903	158,227	1,081,368
Additions to non-current assets	61,587	43	151	–	756	62,537
Reportable segment liabilities	67,737	95,246	33,407	39,145	7,136	242,671

As at 30 June 2015 (audited)

	Cables and wires HK\$'000	Copper rods HK\$'000	Metallurgical grade bauxite HK\$'000	Investment properties HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment assets	184,632	207,141	63,302	395,246	100,779	951,100
Additions to non-current assets	3,878	7,404	154	19,333	2	30,771
Reportable segment liabilities	82,732	36,448	1,760	40,851	6,075	167,866

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 3. Turnover and Segmental Information (Continued)

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

	<b>For the six months ended 31 December</b>	
	<b>2015 HK\$'000 (Unaudited)</b>	2014 HK\$'000 (Unaudited)
<b>Loss before taxation</b>		
Reportable segment loss	<b>(39,671)</b>	(72,889)
Unallocated corporate income	<b>3</b>	968
Unallocated corporate expenses	<b>(10,528)</b>	(5,989)
Consolidated loss before taxation	<b>(50,196)</b>	(77,910)

#### (c) Geographical information

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

The following table provides an analysis of the Group's sales by geographical areas from continuing operations, irrespective of the origin of the goods:

	<b>For the six months ended 31 December</b>	
	<b>2015 HK\$'000 (Unaudited)</b>	2014 HK\$'000 (Unaudited) (Represented)
PRC	<b>351,901</b>	350,732
Americas	<b>20,137</b>	25,179
Europe	<b>19,098</b>	22,101
Hong Kong	<b>7,466</b>	9,105
Other regions	<b>7,211</b>	9,029
	<b>405,813</b>	416,146

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 4. Loss Before Taxation

This has been arrived at after charging:

	For the six months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	8,282	13,961
Write-down of inventories, net	—	2,547
Charge of prepaid lease payments for land	1,016	1,590

### 5. Taxation

	For the six months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Taxation in other jurisdictions	856	349

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

### 6. Dividend

The directors do not recommend the payment of any dividend for the six months ended 31 December 2015 (six months ended 31 December 2014: HK\$Nil).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 7. Loss Per Share

The calculation of basic loss per share amounts for the six months ended 31 December 2015 is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the period. Basic and diluted loss per share amounts for the six months ended 31 December 2014 are represented to reflect the capital reorganisation and open offer during the year ended 30 June 2015.

<i>Loss</i>	<b>For the six months ended 31 December</b>	
	<b>2015 HK\$'000 (Unaudited)</b>	2014 HK\$'000 (Unaudited)
Loss attributable to owners of the Company for the purpose of basic loss per share	<b>(50,250)</b>	(78,214)

<i>Number of shares</i>	<b>For the six months ended 31 December</b>	
	<b>2015 (Unaudited)</b>	2014 (Unaudited) (Represented)
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>1,381,148,196</b>	1,133,912,340

Since there is no potential dilutive share during the current and prior periods, the basic and diluted losses per share in the current and prior periods are equal.

### 8. Property, Plant and Equipment

During the six months ended 31 December 2015, the Group purchased property, plant and equipment of HK\$2,537,000 (six months ended 31 December 2014: HK\$28,914,000). In addition, the Group disposed of property, plant and equipment with a carrying value of HK\$31,000 (six months ended 31 December 2014: HK\$157,000).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 9. Investment Properties

	<b>The Group</b>	
	<b>31 December 2015 HK\$'000 (Unaudited)</b>	30 June 2015 HK\$'000 (Audited)
<b>Fair value:</b>		
At the beginning of period/year	<b>313,828</b>	135,941
Transferred from property, plant and equipment and prepaid lease payments for land	–	157,769
Fair value (losses)/gains, net	<b>(4,922)</b>	20,037
Currency realignment	<b>(13,661)</b>	81
At end of period/year	<b>295,245</b>	313,828

Investment properties were valued as at 31 December 2015 by LCH (Asia-Pacific) Surveyors Limited and Peak Vision Appraisals Limited. They are independent firms of professionally qualified valuers, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and category of properties being valued. The valuation of the investment properties was arrived at by capitalising the rental income derived from existing tenancies with due provision for any reversionary income potential of the tenancies using the investment approach. These valuations gave rise to net fair value loss of HK\$4,922,000 during the current period (six months ended 31 December 2014: losses of HK\$573,000).

Direct operating expenses arising on the investment properties during the period amounted to HK\$5,000 (six months ended 31 December 2014: HK\$9,000).

The Group's investment properties were located in the PRC held under medium leases.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 10. Mining Right

	HK\$'000
<hr/>	
COST:	
At 1 July 2015 (Audited)	1,168,889
Currency realignment	(323)
<hr/>	
At 31 December 2015 (Unaudited)	1,168,566
<hr/>	
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:	
At 1 July 2015 (Audited)	493,221
Currency realignment	(35)
<hr/>	
At 31 December 2015 (Unaudited)	493,186
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NET CARRYING AMOUNT:	
At 31 December 2015 (Unaudited)	675,380
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At 30 June 2015 (Audited)	675,668
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The mining right represents the right to conduct mining activities in the location of Nergui, Delgerkhantai soum, Dundgobi aimag, the State of Mongolia, for a period of 30 years, expiring on 23 November 2039. The mining operating license is issued by the Mineral Resources Authority of the State of Mongolia. It is extendable by 2 successive 20 years each.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 11. Debtors, Other Loans and Receivables, Deposits and Prepayments

At 31 December 2015, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of approximately HK\$95,702,000 (30 June 2015: HK\$97,344,000).

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

	<b>The Group</b>	
	<b>31 December 2015 HK\$'000 (Unaudited)</b>	30 June 2015 HK\$'000 (Audited)
Within 30 days	<b>63,118</b>	63,145
31–60 days	<b>1,156</b>	5,542
61–90 days	<b>50</b>	1,036
Over 90 days	<b>31,378</b>	27,621
	<b>95,702</b>	97,344

- (iii) At 31 December 2015, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to approximately HK\$5,348,000 (30 June 2015: HK\$5,016,000) resulting from the net settlements of derivative financial instruments which were in the closed-out positions at the end of reporting period.

### 12. Bills Receivable

As at 31 December 2015 and 30 June 2015, all bills receivable aged within 90 days.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 13. Derivative Financial Assets/(Liabilities)

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

The fair value of the derivative financial assets and liabilities at 31 December 2015 as provided by the banks or financial institutions amounted to approximately HK\$144,000 and HK\$1,792,000 respectively (30 June 2015: derivative financial assets and liabilities of approximately HK\$11,000 and HK\$153,000 respectively). The fair values of copper future contracts are determined based on the quoted market prices provided by banks or financial institutions at the end of reporting periods. The loss on change in fair value of derivative financial instruments of approximately HK\$3,109,000 (six months ended 31 December 2014: loss of HK\$3,101,000) has been recognised in the profit or loss during the period. All of these derivative financial instruments are not designated as hedging instruments.

### 14. Financial Assets at Fair Value through Profit or Loss

	The Group	
	31 December 2015 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Audited)
Equity securities held for trading and listed in Hong Kong	64,451	48,032

The fair values of the equity securities are determined based on the quoted market prices. During the year, a loss on change in fair value of HK\$6,896,000 (six months ended 31 December 2014: loss of HK\$18,861,000) and a net loss on disposal of HK\$7,400,000 (six months ended 31 December 2014: HK\$Nil) were recognised in profit or loss.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 15. Creditors, Other Advances and Accrued Charges

At 31 December 2015, included in the Group's creditors, other advances and accrued charges were trade creditors of HK\$58,746,000 (30 June 2015: HK\$73,708,000).

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

	The Group	
	31 December 2015 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Audited)
Within 30 days	19,720	28,613
31–60 days	2,421	6,836
61–90 days	464	2,462
Over 90 days	36,141	35,797
	<b>58,746</b>	73,708

### 16. Borrowings

During the six months ended 31 December 2015, the Group raised new borrowings of HK\$102,921,000 (six months ended 31 December 2014: HK\$207,445,000) to provide for additional working capital; made repayment of HK\$44,957,000 (six months ended 31 December 2014: HK\$236,593,000). The borrowings of the Group are secured, due within one year and carried at average effective interest rates ranging from 4.89% to 6.43% (30 June 2015: 5.46% to 7.72%) per annum.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 17. Share Capital

	Number of shares		Share capital	
	31 December 2015 '000 (Unaudited)	30 June 2015 '000 (Audited)	31 December 2015 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Audited)
Ordinary shares of HK\$0.01 each:				
Authorised	50,000,000	50,000,000	500,000	500,000
Issued and fully paid:				
At beginning of the period/year	1,133,912	1,889,854	11,339	18,899
Capital Reorganisation (Note (i))	–	(1,700,869)	–	(17,009)
Open offer of new shares (Note (ii))	–	944,927	–	9,449
Placements of new shares (Note (iii))	498,900	–	4,989	–
At end of the period/year	1,632,812	1,133,912	16,328	11,339

Notes:

- (i) During the year ended 30 June 2015, pursuant to a resolution passed at the special general meeting of the Company held on 1 April 2015, a capital reorganisation was effected such that the authorised share capital of the Company remained at HK\$500,000,000 being represented by 50,000,000,000 shares. The capital reorganisation involved (i) a share consolidation pursuant to which every ten existing issued and unissued shares of the Company of HK\$0.01 each were consolidated into one consolidated share of HK\$0.1 each (the "Share Consolidation"); (ii) a share reduction pursuant to which the existing issued share capital of the Company, after the Share Consolidation, was reduced by a cancellation of (a) the paid-up capital of the Company to the extent of HK\$0.09 on each of the issued consolidated shares such that the nominal value of each issued consolidated share was reduced from HK\$0.10 to HK\$0.01 and (b) any fractional consolidated share in the issued capital of the Company arising from the Share Consolidation (the "Capital Reduction"); (iii) immediately following the Share Consolidation and the Capital Reduction, each of the authorised but unissued consolidated shares of HK\$0.10 each was sub-divided into ten adjusted shares of HK\$0.01 each; and (iv) the credit arising from the Capital Reduction of approximately HK\$17,009,000 was transferred to the contributed surplus account of the Company. Further details are set out in the Company's circular and announcement dated 9 March 2015 and 6 February 2015, respectively.

The transfer of credit arising from the Capital Reduction of HK\$17,009,000 was then immediately offset the accumulated losses of the Company.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 17. Share Capital (Continued)

- (ii) During the year ended 30 June 2015, 944,926,950 new ordinary shares of par value of HK\$0.01 each were issued at subscription price of HK\$0.20 per offer share on the basis of five offer shares for every one existing share at aggregate proceeds of HK\$184,098,000, net of issuing expenses directly related to the open offer of HK\$4,887,000, of which approximately HK\$9,449,000 was credited to share capital and the remaining balance of approximately HK\$174,649,000 was credited to the share premium account. Further details are set out in the Company's prospectus and circular dated 16 April 2015 and 9 March 2015, respectively.
- (iii) During the six month ended 31 December 2015, an aggregate number of 498,900,000 new ordinary shares of par value of HK\$0.01 each were issued at subscription price of HK\$0.17 each to the then independent third parties of the Company at aggregate proceeds of approximately HK\$84,813,000, net of issuing expenses directly related to respective placements of HK\$2,171,000, of which HK\$4,989,000 was credited to share capital and the remaining balance of HK\$77,653,000 was credited to the share premium account.

### 18. Capital Commitments

	<b>31 December 2015 HK\$'000 (Unaudited)</b>	30 June 2015 HK\$'000 (Audited)
Capital expenditure contracted but not provided for in respect of acquisition of:		
Plant and machinery	—	222

### 19. Related Party Transactions

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

#### Compensation of key management personnel of the Group

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

### 20. Pledge of Assets

As at 31 December 2015, the Group has pledged property, plant and equipment, investment property, prepaid lease payments for land and pledged deposits and bank balances in the aggregate amount of HK\$337,891,000 (30 June 2015: HK\$360,164,000).

### 21. Other Matters

On 19 October 2015, the Group, through an indirect wholly-owned subsidiary, entered into an agreement with the owner of Pico Zeman Securities (HK) Ltd (the “**Target Company A**”) to acquire the entire issued share capital of the Target Company A at the consideration of HK\$72,000,000, HK\$30,000,000 of which has been paid by cash as initial deposit. The principal activity of the Target Company A is engaged in securities trading services in Hong Kong.

On 10 December 2015, the Group, through an indirect wholly-owned subsidiary, entered into an agreement with the owner of Idea International Holdings Ltd (the “**Target Company B**”) to acquire 49% of the issued share capital of the Target Company B at the consideration of HK\$130,000,000, HK\$30,000,000 of which has been paid by cash as initial deposit. The principal activity of the Target Company B is engaged in advertising and media services; branding and marketing services; corporate image and strategy services; and innovation strategy services in PRC.

As at 31 December 2015 and up to the date of this interim report, acquisitions of equity interests in the Target Company A and the Target Company B have not been completed. Accordingly, the deposits paid in the aggregate amount of HK\$60,000,000 are recognised as the Group’s non-current assets.

# Management Discussion and Analysis

## Financial Results

The Board announced that for the six months ended 31 December 2015 (the “**period under review**”), the total turnover of the Group was approximately HK\$405,813,000, representing a decrease of 2.5% as compared to approximately HK\$416,146,000 (represented) recorded for the corresponding period last year. During the period under review, loss attributable to the owners of the Company was approximately HK\$50,250,000, as compared to loss attributable to the owners of the Company of approximately HK\$78,214,000 for the corresponding period last year. Loss per share for the period under review was approximately HK3.64 cents (Loss per share for 2014/15 interim: HK6.90 cents (represented)).

The Board has resolved not to recommend the payment of any interim dividend for the year ending 30 June 2016 (2014/15 interim: nil).

## Business Review

The Group’s turnover for the period under review was approximately HK\$405,813,000, representing a decrease of 2.5% as compared to approximately HK\$416,146,000 (represented) for the same period of last year. By business segments, the turnover of the cables and wires business was approximately HK\$90,323,000, representing a decrease of 18.5% as compared to approximately HK\$110,875,000 for the same period of last year and accounted for 22.3% of the Group’s total turnover. Turnover of the copper rod business was approximately HK\$177,349,000, representing a decrease of 12.9% as compared to approximately HK\$203,519,000 for the same period of last year and accounted for 43.7% of the Group’s total turnover. Turnover of metallurgical grade bauxite trading business was approximately HK\$126,162,000, representing an increase of 66.5% as compared to approximately HK\$75,789,000 for the same period of last year and accounting for 31.1% of the Group’s total turnover. Turnover of the leasing business was approximately HK\$9,582,000, representing an increase of 83.0% as compared to approximately HK\$5,236,000 for the same period of last year and accounting for 2.3% of the Group’s total turnover. Turnover of other business was approximately HK\$2,397,000 and accounted for 0.6% of the Group’s total turnover, as compared to approximately HK\$20,727,000 (represented) for the same period of last year.

By geographical market segments, turnover from the business in the Americas decreased by 20.0% to approximately HK\$20,137,000 from approximately HK\$25,179,000 for the same period of last year, accounting for 5.0% of the Group’s total turnover. Turnover from the business in Mainland China and Hong Kong decreased by 0.1% to approximately HK\$359,367,000 from approximately HK\$359,837,000 (represented) for the same period of last year, accounting for 88.5% of the Group’s total turnover. Turnover from the business in other markets in Asia decreased by 20.1% to approximately HK\$7,211,000 from approximately HK\$9,029,000 for the same period of last year, accounting for 1.8% of the Group’s total turnover. Turnover from the European business decreased by 13.6% to approximately HK\$19,098,000 from approximately HK\$22,101,000 for the same period of last year, accounting for 4.7% of the Group’s total turnover.

## Management Discussion and Analysis

### Cables and Wires

The major customers of the Group's cables and wires business are primarily manufacturers of white goods appliances. During the period under review, the manufacturing industry was severely hit by the economic slowdown in Mainland China and a sluggish global economy. The Group is proactively monitoring the dynamics of the international market and focusing on the upcoming policies in Mainland China and will accordingly carry out research and adjustments to review market layout and proportion.

### Copper Rod Business

The copper rod business comprises the manufacturing and trading of copper rods and copper wires and their related products, which are primarily used in the production of electric wires or cables for household appliances, electronic products and power supply in infrastructure facilities. International copper prices witnessed a decreasing trend in the period under review. The 3-month London Metal Exchange copper price decreased from approximately US\$5,900 at the beginning of the period to approximately US\$4,700 at the end of the period. The Group will adjust its copper cathode inventory based on the demand of its customers and continue to utilise a substantial portion of the capacity of its copper rod business in Dongguan to provide processing services to its customers.

### Metallurgical Grade Bauxite Trading Business

During the period under review, there was a lackluster performance in global commodities leading to low prices. As a result, many aluminium enterprises have to reduce their production to cope with the difficult situation. Due to its expanded customer base, the Group's metallurgical grade bauxite trading business continued to develop steadily. During the period under review, turnover amounted to HK\$126,162,000, representing an increase of 66.5% as compared to approximately HK\$75,789,000 for the same period of last year.

### Rental Income

During the period under review, rental income was approximately HK\$9,582,000, representing an increase of approximately 83.0% as compared with approximately HK\$5,236,000 for the same period of last year. Investment properties of the Group include a plant property in Qiaozi, Santai Industrial Zone, a residential building property in Changping Town, Dongguan City and a factory plant of Dongguan Xin Bao Precision Chemical Company Limited.

## Management Discussion and Analysis

### Mining

The Group's mineral resources are concentrated in Dundgobi Aimag and Bayan-Ulgii Aimag, Mongolia. In light of a weak global economy and sustained pressure on commodity prices, particularly a significant slowdown in terms of GDP growth in developing countries, mining enterprises are faced with an uphill challenge and capacity shrink has become a common phenomenon in the industry. Recently, an increasing number of domestic and foreign non-ferrous metal manufacturers have announced to cut and even suspend their production. These circumstances show an escalating underlying risk looming over the mining industry. Thus, the Group remains conservative about its capital investments in its mining business in Mongolia and the management will review existing projects from time to time.

### Prospects

The Group will continue to pay close attention to market information, including global commodity and energy prices and economic environment around the globe and in China, which may affect confidence in the global economy. In this regard, the Group will lay down a suitable operation plan. The Group has always been eager in searching for new investment and business opportunities, with an aim of tapping into new business with growth potential and diversifying its income stream. During the period under review, on 19 October 2015, the Group entered into a conditional sale and purchase agreement with the shareholders of Pico Zeman Securities (HK) Limited ("**Pico Zeman**") to acquire the entire issued share capital of Pico Zeman. Upon completion, Pico Zeman will become an indirectly wholly-owned subsidiary of the Group. The Group will establish a platform for financial services and related business through the acquisition.

On 10 December 2015, the Group entered into a conditional sale and purchase agreement with Stylish Code Limited to acquire 49% of the issued share capital of Idea International Holdings Limited. Upon completion, the Group will indirectly hold 49% of the equity interest in 廣州市藝典廣告有限公司 (for identification purpose only, in English, Guangzhou Yi Dian Advertising Company Limited) through the target group, which will not be treated as the subsidiaries of the Group. The acquisition provides a prime opportunity for the Group to enter into the advertising and media related business in the People's Republic of China ("**PRC**") and diversify the revenue stream of the Group.

The Directors expect that diversification will bring balanced development to the existing business of the Group and increase shareholders' value. It allows the Group to adhere to the principle of progress through stability and paves the way to sustainable development for the Group.

## Management Discussion and Analysis

### Employees and Remuneration Policies

As at 31 December 2015, the Group had approximately 900 employees in Hong Kong, the PRC and overseas (30 June 2015: 900). The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

### Liquidity, Financial Resources and Gearing Ratio

During the six months ended 31 December 2015, the Group implemented a prudent financial management policy. As at 31 December 2015, the Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK\$222 million (30 June 2015: HK\$163 million) and value of net current assets was approximately HK\$374 million (30 June 2015: HK\$367 million). The Group's gearing ratio as at 31 December 2015 was 0.08 (30 June 2015: 0.04), being a ratio of total borrowings of approximately HK\$126 million (30 June 2015: HK\$68 million) to shareholders' funds of approximately HK\$1,568 million (30 June 2015: HK\$1,533 million).

### Exchange Risks

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

### Charges on Group Assets

As at 31 December 2015, the Group had pledged certain properties, plant and machinery, land use rights and fixed bank deposits with an aggregate net book value of approximately HK\$338 million (30 June 2015: HK\$360 million) to secure general banking facilities granted to the Group.

### Contingent Liabilities

As at 31 December 2015, the Company had issued guarantees to the extent of approximately HK\$24.2 million (30 June 2015: HK\$9.5 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK\$24.2 million (30 June 2015: HK\$9.5 million) was utilised.

### Financial Instruments for Hedging Purposes

For the period under review, the Group entered into copper forward contracts (“**Derivative Financial Instruments**”) to manage copper price risks. The Group’s overall financial risk management is to ensure that transactions undertaken by the Group are in accordance with the Group’s policies and not for speculative purposes. The outstanding Derivative Financial Instruments had been revalued and stated at their fair value as at 31 December 2015 and the changes in fair value were charged to the income statement. The net loss of the Derivative Financial Instruments for the period under review was approximately HK\$3,109,000 (2014/15 interim: net loss of HK\$3,101,000).

### Change of Company Chinese Name

On 3 December 2015, the Company announced that the Directors resolved and approved the adoption of a new Chinese name “星凱控股有限公司” by the Company to replace the Chinese name “蒙古礦業控股有限公司” with effect from 3 December 2015. The English name of the Company remains the same.

The new Chinese name is for identification purposes only and is not a secondary name of the Company. It does not form part of the Company’s registered name under Bermuda law and will not appear on the certificate of incorporation issued by the Registrar of Companies of Bermuda. The change of the Chinese name does not affect any of the rights of any shareholders of the Company. All existing share certificates in issue bearing the name of “Solartech International Holdings Limited” continue to be evidence of title to the shares of the Company and are valid for trading, settlement and registration purposes.

On 11 December 2015, the Company announced that the Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by the Registrar of Companies of Hong Kong on 11 December 2015. With effect from 21 December 2015, the shares of the Company have been traded on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) under its new Chinese name “星凱控股有限公司”.

With effect from 21 December 2015, the Chinese stock short name for trading in the shares of the Company on the Stock Exchange has been changed from “蒙古礦業” to “星凱控股” to reflect the change of Chinese name while the English stock short name remains unchanged.

The Directors considered that the new Chinese name could provide the Company with a fresh identity and image which would benefit the Company’s future business development and is in the interest of the Company and its shareholders as a whole.

The details of the change of the Company Chinese name and trading arrangement following the change were set out in the announcements of the Company dated 3 December 2015 and 16 December 2015.

### Capital Structure

#### First Placing of New Shares under the General Mandate

On 13 July 2015, the Company and Kingston Securities Limited (“**Kingston**”), as the placing agent, entered into a placing agreement pursuant to which the Company conditionally agreed to place through Kingston, on a best efforts basis, up to 226,780,000 new ordinary shares of the Company at nominal value of HK\$0.01 each (“**Share(s)**”) to not less than six placees (who are independent professional, institutional or other investors) at the price of HK\$0.17 per placing share (the “**First Placing**”), in order to raise capital for the Company and to broaden its shareholders and capital base. The closing market price of the Shares of the Company on the Stock Exchange on 13 July 2015 was HK\$0.211 per Share, which was the date on which the terms of the First Placing were fixed. The First Placing was completed on 29 July 2015. The 226,780,000 placing shares placed under the First Placing were issued under the general mandate (the “**General Mandate**”) which was granted to the Directors at the special general meeting held on 9 June 2015 (the “**June 2015 SGM**”). The gross and net proceeds from the First Placing amounted to approximately HK\$38.55 million and approximately HK\$37.3 million, respectively. The net proceeds raised per placing share was approximately HK\$0.164 per Share.

The utilisation of the net proceeds from the First Placing as at 31 December 2015 and 26 February 2016 are summarised as follows:

<b>Intended use of net proceeds from the First Placing</b>	<b>Actual use of net proceeds from the First Placing</b>
– for general working capital of Hong Kong office and the PRC operations of the Group (including the administrative and operation expenses, such as, salaries and professional fees and other office expenses, etc.)	As at 31 December 2015, – approximately HK\$20 million utilised as intended and the remaining was deposited at the banks
	As at 26 February 2016, – fully utilised as intended

The details of the First Placing were set out in the announcements of the Company dated 13 July 2015 and 29 July 2015.

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

On 29 July 2015, the 226,780,000 placing shares placed under the First Placing were issued under the General Mandate which was granted to the Directors at the June 2015 SGM of the Company. After the issue and allotment of the 226,780,000 placing shares, the total number of Shares in issue was increased from 1,133,912,340 Shares to 1,360,692,340 Shares. Thereafter, approximately 99.99% of the General Mandate was utilised by way of the First Placing and only 2,468 Shares were authorized to be allotted and issued under the General Mandate, which was approximately 0.0002% of the entire issued share capital of the Company.

In order to provide additional flexibility to allow the Company to grasp appropriate fund raising opportunities, the Board proposed to seek refreshment of the General Mandate (the “**Refreshment of the General Mandate**”) at a special general meeting of the Company for the Directors to allot and issue new Shares not exceeding 20% of the issued share capital of the Company as at the date of such special general meeting. The Board believed that the Refreshment of the General Mandate was in the best interests of the Company and the Shareholders as a whole by maintaining the financial flexibility necessary for the Group’s future business expansion and development as well as to cater for future funding requirement of the Group. The Board considered equity financing to be an important avenue of resources to the Group since it would not create any interest paying obligations on the Group. In appropriate circumstances, the Group would also consider other financing methods such as debt financing or internal cash resources to fund its future business development.

At the special general meeting held on 30 September 2015 (the “**September SGM**”), the Refreshment of the General Mandate was approved by the shareholders of the Company. Under the refreshed General Mandate (the “**Refreshed General Mandate**”), the Company would be authorised to allot and issue up to 272,138,468 new Shares, being 20% of the total issued share capital of the Company as at the date of the September SGM.

The details of the Refreshment of the General Mandate were set out in the circular of the Company dated 11 September 2015 and the announcement of the Company dated 30 September 2015.

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

On 9 November 2015, the Company and Kingston, as the placing agent, entered into a second placing agreement pursuant to which the Company conditionally agreed to place through Kingston, on a best efforts basis, up to 272,120,000 new Shares to not less than six placees (who are independent professional, institutional or other investors) at the price of HK\$0.17 per placing share (the "**Second Placing**"), in order to raise capital for the Company and to broaden its shareholders and capital base. The closing market price of the Shares on the Stock Exchange was HK\$0.21 per Share on 9 November 2015, which was the date on which the terms of the Second Placing were fixed. The Second Placing was completed on 23 November 2015. The 272,120,000 placing shares placed under the Second Placing were issued under the Refreshed General Mandate which was granted to the Directors at the September SGM. The gross and net proceeds from the Second Placing amounted to approximately HK\$46.26 million and approximately HK\$44.85 million, respectively. The net proceeds raised per placing share were approximately HK\$0.165 per Share.

The utilisation of the net proceeds from the Second Placing as at 31 December 2015 and 26 February 2016 are summarised as follows:

<b>Intended use of net proceeds from the Second Placing</b>	<b>Actual use of net proceeds from the Second Placing</b>
<ul style="list-style-type: none"><li>– for repayment of trust receipt loans and general working capital of the Group</li></ul>	<p>As at 31 December 2015,</p> <ul style="list-style-type: none"><li>– approximately HK\$9 million utilised as intended for repayment of trust receipt loans and the remaining was deposited at the banks</li></ul> <p>As at 26 February 2016,</p> <ul style="list-style-type: none"><li>– approximately HK\$17 million utilised as intended for repayment of trust receipt loans and the remaining was deposited at the banks</li></ul>

The details of the Second Placing were set out in the announcements of the Company dated 9 November 2015 and 23 November 2015.

### Discloseable Transaction in Relation to Acquisition of the Entire Issued Share Capital in Pico Zeman Securities (HK) Limited

On 19 October 2015, the Company announced that Chau's Industrial Investments Limited (the "**Purchaser**"), a direct wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "**Sale and Purchase Agreement**") with the vendor pursuant to which the Purchaser has conditionally agreed to acquire from the vendor the sale shares at a total consideration of HK\$72,000,000 (the "**Acquisition A**"). The sale shares represent the entire issued share capital of Pico Zeman Securities (HK) Limited ("**Pico Zeman**") which is a company incorporated in Hong Kong with limited liability. Upon completion, Pico Zeman will become an indirect wholly-owned subsidiary of the Company.

The consideration for the sale shares payable under the Sale and Purchase Agreement is HK\$72,000,000 (the "**Consideration A**") and shall be satisfied by (i) an initial deposit and part payment of the Consideration A in the sum of HK\$30,000,000 from the Purchaser to the vendor upon the signing of the Sale and Purchase Agreement; and (ii) payment of the balance through a promissory note with principal face value of HK\$42,000,000 and 24 months maturity at 6% interest per annum (the "**Promissory Note A**") to be issued by the Company in favour of the vendor (or his nominee). The initial deposit of the Consideration A under the Sale and Purchase Agreement was funded by the Group's internal resources and the remaining balance thereof will be funded by the Group's internal resources and/or other means such as bank borrowing and/or equity fund raising as the Directors may deem appropriate.

Completion of the Sale and Purchase Agreement is conditional on the conditions in the Sale and Purchase Agreement being satisfied or waived by the Purchaser (as the case may be) on or before the long stop date, which is the date not exceeding nine months from the date of the Sale and Purchase Agreement or such other date(s) as may be agreed in writing by the parties thereto from time to time. In particular, the obtaining by the Purchaser of the written approval of the Securities and Futures Commission (the "**SFC Approval**") for the Purchaser and the Company to become substantial shareholders of Pico Zeman under section 132 of the Securities and Futures Ordinance (Cap. 571 of Laws of Hong Kong) as a result of the Acquisition A by the Purchaser of the sale shares as contemplated by the Sale and Purchase Agreement is a condition that cannot be waived. The Company and the Purchaser has submitted an application to the Securities and Futures Commission of Hong Kong (the "**SFC**") and is in the process of obtaining the SFC Approval. The details of the conditions were set out in the announcement of the Company dated 19 October 2015.

Pursuant to the Sale and Purchase Agreement, the Group will acquire 100% of the issued shares of Pico Zeman. Currently, the core business of Pico Zeman comprises of securities brokerage and dealing. It holds a Type 1 regulated activity (dealing in securities) licence issued by the SFC under the SFO. It is also an Exchange Participant and a Direct Clearing Participant.

## Management Discussion and Analysis

The Group plans to use Pico Zeman as its initial platform in establishing its financial services and related businesses. Pico Zeman has recently submitted an application to the SFC for approval of the addition of Type 4 (advising on securities) and Type 9 (asset management) regulated activities. Although such licensing application is not a condition precedent to completion of the Acquisition A and there is no guarantee that the approval of such licensing application can be obtained from the SFC, the Company's intention is to develop Pico Zeman to become an integrated security house offering sales and trading, investment advisory services, discretionary account services and asset management services in due course.

Since certain of the applicable percentage ratios of the Acquisition A exceed 5% but are less than 25%, the Acquisition A 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The details of the Acquisition A were set out in the announcement of the Company dated 19 October 2015 and the supplemental announcement dated 20 October 2015.

### Discloseable Transaction in Relation to the Acquisition of 49% Issued Share Capital in Idea International Holdings Limited

On 10 December 2015, the Company announced that Allied Talent Investments Limited ("**Allied Talent**"), an indirect wholly-owned subsidiary of the Company, as the purchaser, entered into a conditional sale and purchase agreement (the "**Agreement**") with Stylish Code Limited ("**Stylish Code**"), as the vendor, and Ms. Deng Rong, the registered legal and beneficial owner of the vendor, as the guarantor (the "**Guarantor**") pursuant to which Allied Talent has conditionally agreed to acquire and Stylish Code has conditionally agreed to sell the sale shares, representing 49% of the issued share capital of Idea International Holdings Limited (the "**Target Company**") (the "**Acquisition B**") at the consideration of HK\$130,000,000 (the "**Consideration B**"), HK\$30,000,000 of which would be paid by cash and the remaining balance of the Consideration B shall be payable by a promissory note to be issued by the Company. The Guarantor has agreed to warrant and guarantee to the Allied Talent the due and punctual performance by Stylish Code of all its respective obligations under the Agreement and the transaction contemplated thereunder. Upon completion, the Company will indirectly hold 49% of the entire equity interest in 廣州市藝典廣告有限公司 (for identification purpose only, in English, Guangzhou Yi Dian Advertising Company Limited) (the "**Operating Company**") through the target group, which will not be treated as the subsidiaries of the Company.

The initial deposit of the Consideration B under the Agreement was funded by the Group's internal resources and the remaining balance will be funded by the Group's internal resources and/or financing through bank borrowing and/or equity fund raising as the Directors may deem appropriate.

## Management Discussion and Analysis

The Company has agreed to issue a promissory note with principal face value of HK\$100,000,000 (the "**Promissory Note B**") and 24 months maturity at 6% interest per annum in favour of Stylish Code (or its nominee), being the remaining balance of the Consideration B, on the date of completion. The Company may at its discretion early redeem a part of or the whole outstanding amount under the Promissory Note B within the maturity period.

Completion of the Agreement is conditional on the conditions being satisfied or waived by Allied Talent on or before the long stop date which is 31 March 2016 or such other date as Allied Talent and Stylish Code may agree. The details of the conditions were set out in the announcement of the Company dated 10 December 2015.

The Guarantor has agreed to warrant and guarantee to Allied Talent the due and punctual performance by Stylish Code of all its respective obligations under the Agreement and the transaction contemplated thereunder.

Each of Stylish Code and the Guarantor has warranted and guaranteed to Allied Talent that the audited net profit after tax of the Operating Company for the financial years ended 31 December 2016 ("**2016 Audited Profit**") and 2017 ("**2017 Audited Profit**") shall not be less than RMB18,000,000 ("**2016 Guaranteed Profit**") and RMB23,000,000 ("**2017 Guaranteed Profit**") respectively. In the event that (i) the actual 2016 Audited Profit is less than 2016 Guaranteed Profit or (ii) the actual 2017 Audited Profit is less than 2017 Guaranteed Profit, Stylish Code and/or the Guarantor shall compensate Allied Talent three times of such shortfall by deducting the principal amount of the Promissory Note B.

For the avoidance of doubt, if the actual 2016 Audited Profit or the actual 2017 Audited Profit is a negative figure, it shall be deemed as zero. No adjustment to the Consideration B will occur if the actual 2016 Audited Profit or the actual 2017 Audited Profit is greater than the corresponding Guaranteed Profit.

The actual 2016 Audited Profit and the actual 2017 Audited Profit shall be determined according to the audited financial statements of the Operating Company for respective financial years, shall be prepared in accordance with the Hong Kong Financial Reporting Standards and reported by the auditor as agreed by Stylish Code and Allied Talent within three months after the end of the relevant financial year.

## Management Discussion and Analysis

The Group has been actively exploring other new investments and business opportunities to engage in a new line of business with growth potential and broaden its source of income. The Directors consider that advertising and media related business in the PRC has shown its growth potential especially advertising through TV, websites and instant messages. The Operating Company is acting as the agent of various provincial broadcasting networks in Guangdong Province and provided advertising and media related services for clients with famous brands in beverage, IT and motor industries. In January 2015, it has been appointed as the first class agent of Guangzhou Broadcasting Network (廣州廣播電視台). The Directors are of the view that the Acquisition B provides a prime opportunity for the Group to enter into the advertising and media related business in the PRC and diversify the revenue stream of the Group. The Directors expect that the diversification of the income stream will counter balance the Group's cables and wires business, to increase the Shareholders' value and benefit the Company and the Shareholders as a whole.

Since certain of the applicable percentage ratios of the Acquisition B exceed 5% but are less than 25%, the Acquisition B 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 of the Acquisition B were set out in the announcement of the Company dated 10 December 2015.

### Significant Investment

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

### Directors' and Chief Executives' Interests in Shares and Underlying Shares of the Company

As at 31 December 2015, none of the Directors and the chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors set out in Appendix 10 to the Listing Rules.

### Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares of the Company

So far as is known to any of the Directors and chief executives of the Company, as at 31 December 2015, there were no persons who had a notifiable interest or short position in the Shares or underlying Shares of the Company recorded in the register kept by the Company pursuant to section 336 of the SFO.

### Share Options

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

During the period under review, no share options were granted, exercised, lapsed, cancelled or outstanding under the Share Option Scheme.

### Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the six months ended 31 December 2015.

### Compliance With the Code Provisions

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

#### Code provision A.2.1

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

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

## Management Discussion and Analysis

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 annual general meeting in accordance with the Bye-laws of the Company. As such, the Company considers that sufficient measures are in place to ensure that the non-executive Directors are subject to appropriate mechanisms to avoid holding office indefinitely.

### Code provision A.4.3

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

Mr. Chung Kam Kwong has served as an independent non-executive Director of the Company for more than nine years since 1 March 2003. In accordance with the Bye-laws of the Company, Mr. Chung Kam Kwong retired from office by rotation at the 2013 annual general meeting (the "**2013 AGM**") and offered himself for re-election at the 2013 AGM. An ordinary resolution was passed at the 2013 AGM to approve the appointment of Mr. Chung Kam Kwong as an independent non-executive Director of the Company.

Mr. Lo Wai Ming has been an independent non-executive Director of the Company for more than nine years since 6 January 2000. In accordance with the Bye-laws of the Company, Mr. Lo Wai Ming retired from office by rotation at the 2014 annual general meeting (the "**2014 AGM**") and offered himself for re-election at the 2014 AGM. An ordinary resolution was passed at the 2014 AGM to approve the appointment of Mr. Lo Wai Ming as an independent non-executive Director of the Company.

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

### Audit Committee

The audit committee of the Company (the “**Audit Committee**”) comprises Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming, all of whom are independent non-executive directors of the Company. Pursuant to the amendments to the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 of the Listing Rules relating to internal control and risk management which would apply to accounting periods beginning on or after 1 January 2016, the new terms of reference (the “**New Terms of Reference**”) for the Audit Committee has been approved and the New Terms of Reference are applicable to the Company’s accounting period beginning 1 July 2016 in substitution for and to the exclusion of all the existing terms of reference for the Audit Committee.

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

### Compliance With the Model Code

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

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

Hong Kong, 26 February 2016