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SOLARTECH INTERNATIONAL HOLDINGS LIMITED

星凱控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1166)

2022/2023 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “**Directors**” or the “**Board**”) of Solartech International Holdings Limited (the “**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 31 December 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

| | | For the six months ended | |
|---|-------|--------------------------|-------------------------|
| | | 31 December 2022 | 31 December 2021 |
| | Notes | HK\$'000 (Unaudited) | HK\$'000 (Unaudited) |
| Turnover | 3(a) | 194,552 | 268,174 |
| Cost of sales | | (187,302) | (238,350) |
| Gross profit | | 7,250 | 29,824 |
| Interest income | | 6,647 | 5,644 |
| Other income and other (losses)/gains, net | | 3,709 | 4,650 |
| General and administrative expenses | | (30,837) | (28,942) |
| Selling and distribution expenses | | (3,533) | (3,786) |
| Change in fair value of financial assets at fair value through profit or loss | 14 | (659) | (3,173) |
| Change in fair value of derivative financial instruments | 15 | 132 | 2,692 |
| Change in fair value of investment properties | 10 | 21,855 | 71,413 |
| Reversal of expected credit loss recognised, net | | 1,980 | 1,200 |
| Finance costs | 5 | (10,692) | (9,290) |
| Share of results of associates | | (1,403) | (5,980) |
| Share of results of joint ventures | | (4) | – |

* For identification purposes only

| | | For the six months ended | |
|--|--------------|---------------------------------|---------------------|
| | | 31 December 2022 | 31 December 2021 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| (Loss)/profit before taxation | 4 | (5,555) | 64,252 |
| Taxation | 6 | (5,464) | (16,124) |
| (Loss)/profit for the period | | (11,019) | 48,128 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences on translating foreign operations | | (8,137) | 12,761 |
| Other comprehensive income for the period | | (8,137) | 12,761 |
| Total comprehensive income for the period | | (19,156) | 60,889 |
| Profit for the period attributed to: | | | |
| Owners of the Company | | (10,912) | 46,741 |
| Non-controlling interests | | (107) | 1,387 |
| | | (11,019) | 48,128 |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | (19,100) | 59,528 |
| Non-controlling interests | | (56) | 1,361 |
| | | (19,156) | 60,889 |
| (Loss)/earnings per share | | | |
| – Basic and diluted (<i>HK cents</i>) | 8 | (0.46) | 1.97 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 31 December 2022 <i>HK\$'000</i> (Unaudited) | 30 June 2022 <i>HK\$'000</i> (Audited) |
|---|--------------|---|---|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 18,548 | 21,458 |
| Investment properties | 10 | 746,728 | 767,219 |
| Right-of-use assets | | 6,428 | 7,907 |
| Intangible assets | 11 | 486,806 | 486,820 |
| Prepayments | | 888 | – |
| Interests in associates | | 2,135 | 3,677 |
| Interests in joint ventures | | 9,047 | 9,040 |
| Other receivables | | – | 21,895 |
| Deferred tax assets | | 12,877 | 12,877 |
| | | 1,283,457 | 1,330,893 |
| Total non-current assets | | | |
| Current assets | | | |
| Inventories | | 22,706 | 33,442 |
| Debtors, other loans and receivables, deposits and prepayments | 12 | 237,322 | 249,120 |
| Bills receivable | 13 | 494 | 865 |
| Financial assets at fair value through profit or loss | 14 | 6,139 | 6,798 |
| Bank balances and cash | | 79,285 | 71,346 |
| | | 345,946 | 361,571 |
| Total current assets | | | |
| Current liabilities | | | |
| Creditors, other advances and accrued charges | 16 | 139,861 | 114,797 |
| Borrowings | 17 | 125,591 | 180,037 |
| Derivative financial liabilities | 15 | – | 580 |
| Lease liabilities | | 789 | 1,760 |
| | | 266,241 | 297,174 |
| Total current liabilities | | | |
| Net current assets | | 79,705 | 64,397 |
| Total assets less current liabilities | | 1,363,162 | 1,395,290 |

| | | 31 December | 30 June |
|---|--------------|--------------------|------------------|
| | | 2022 | 2022 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Audited) |
| Non-current liabilities | | | |
| Lease liabilities | | – | 231 |
| Other payables and advances | 16 | 60,194 | 62,259 |
| Borrowings | 17 | 144,176 | 156,982 |
| Deferred tax liabilities | | 89,268 | 87,138 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 293,638 | 306,610 |
| | | <hr/> | <hr/> |
| Total net assets | | 1,069,524 | 1,088,680 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| EQUITY | | | |
| Capital and reserves | | | |
| Share capital | 19 | 23,745 | 23,745 |
| Reserves | | 1,046,497 | 1,065,597 |
| | | <hr/> | <hr/> |
| Equity attributable to owners of the Company | | 1,070,242 | 1,089,342 |
| | | <hr/> | <hr/> |
| Non-controlling interests | | (718) | (662) |
| | | <hr/> | <hr/> |
| Total equity | | 1,069,524 | 1,088,680 |
| | | <hr/> <hr/> | <hr/> <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

| | Share capital <i>HK\$'000</i> | Share premium <i>HK\$'000</i> | Contributed surplus <i>HK\$'000</i> | Exchange reserve <i>HK\$'000</i> | Statutory reserve fund <i>HK\$'000</i> | Property revaluation reserve <i>HK\$'000</i> | Share option reserve <i>HK\$'000</i> | Accumulated losses <i>HK\$'000</i> | Total <i>HK\$'000</i> | Non- controlling interests <i>HK\$'000</i> | Total equity <i>HK\$'000</i> |
|--|-------------------------------------|-------------------------------------|---|--|---|---|---|--|--------------------------|---|------------------------------------|
| At 1 July 2021 (audited) | 23,745 | 1,828,432 | 612,360 | 9,603 | 4,878 | 108,253 | 1,518 | (1,388,526) | 1,200,263 | (1,713) | 1,198,550 |
| Profit for the period | - | - | - | - | - | - | - | 46,741 | 46,741 | 1,387 | 48,128 |
| Exchange difference on translating foreign operations | - | - | - | 12,787 | - | - | - | - | 12,787 | (26) | 12,761 |
| Total comprehensive income for the period | - | - | - | 12,787 | - | - | - | 46,741 | 59,528 | 1,361 | 60,889 |
| Lapsed of share options | - | - | - | - | - | - | (1,518) | 1,518 | - | - | - |
| At 31 December 2021 (unaudited) | <u>23,745</u> | <u>1,828,432</u> | <u>612,360</u> | <u>22,390</u> | <u>4,878</u> | <u>108,253</u> | <u>-</u> | <u>(1,340,267)</u> | <u>1,259,791</u> | <u>(352)</u> | <u>1,259,439</u> |
| | Share capital <i>HK\$'000</i> | Share premium <i>HK\$'000</i> | Contributed surplus <i>HK\$'000</i> | Exchange reserve <i>HK\$'000</i> | Statutory reserve fund <i>HK\$'000</i> | Property revaluation reserve <i>HK\$'000</i> | Share option reserve <i>HK\$'000</i> | Accumulated losses <i>HK\$'000</i> | Total <i>HK\$'000</i> | Non- controlling interests <i>HK\$'000</i> | Total equity <i>HK\$'000</i> |
| At 1 July 2022 (audited) | 23,745 | 1,828,432 | 612,360 | 900 | 4,878 | 108,253 | - | (1,489,226) | 1,089,342 | (662) | 1,088,680 |
| Profit for the period | - | - | - | - | - | - | - | (10,912) | (10,912) | (107) | (11,019) |
| Exchange difference on translating foreign operations | - | - | - | (8,188) | - | - | - | - | (8,188) | 51 | (8,137) |
| Total comprehensive income for the period | - | - | - | (8,188) | - | - | - | (10,912) | (19,100) | (56) | (19,156) |
| Release upon disposal of investment properties | - | - | - | - | - | (6,180) | - | 6,180 | - | - | - |
| At 31 December 2022 (unaudited) | <u>23,745</u> | <u>1,828,432</u> | <u>612,360</u> | <u>(7,288)</u> | <u>4,878</u> | <u>102,073</u> | <u>-</u> | <u>(1,493,958)</u> | <u>1,070,242</u> | <u>(718)</u> | <u>1,069,524</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

1. BASIS OF PREPARATION

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

These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 30 June 2022. The accounting policies and method of computation used in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Group’s consolidated financial statements for the year ended 30 June 2022.

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 2022, 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 interim condensed consolidated financial statements and amounts reported for the current period and prior years.

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

The Group has applied the following amendment to HKFRSs issued by the HKICPA to this interim financial information for the current accounting period:

| | |
|---|--|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendments to HKAS 16 | Property, Plant and Equipment: Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Annual Improvements to HKFRSs 2018–2020 | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 |

The Group has assessed the impact of the adoption of the above amendment and considered that there was no significant impact on the Group’s results and financial position or any substantial changes in the Group’s accounting policies for the current and prior periods have been prepared or presented.

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 (“CODM”) that are used to make strategic decisions.

The Group has three 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; and
- (iii) 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 2021 and 31 December 2022, and for the periods then ended for the purpose of segment reporting.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is measure of adjusted profit/loss before taxation. The adjusted profit/loss before taxation is measured consistently with the Group’s profit/loss before taxation except that change in fair value of financial assets at fair value through profit or loss, share of results of associates and joint ventures as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude mining right, interests in associates and joint ventures, deferred tax assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude 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 2022 (Unaudited)

| | Cables and wires HK\$'000 | Copper rods HK\$'000 | Investment properties HK\$'000 | Total HK\$'000 |
|---|--|-------------------------------------|---|---------------------------|
| Revenue from external customers | 109,912 | 78,718 | 5,922 | 194,552 |
| Inter-segment revenue | – | – | – | – |
| Reportable segment revenue | 109,912 | 78,718 | 5,922 | 194,552 |
| Reportable segment (loss)/profit | (15,640) | (5,790) | 25,964 | 4,534 |
| Finance costs | (5,133) | (4,651) | (868) | (10,652) |
| Change in fair value of derivative financial instruments, net | | | | |
| – allocated | 225 | – | – | 225 |
| – unallocated | | | | (93) |
| | | | | 132 |
| Change in fair value of investment properties | – | – | 21,855 | 21,855 |
| Loss on disposal of property, plant and equipment | (777) | – | – | (777) |
| Loss on disposal of investment properties | – | – | (500) | (500) |
| Reversal of expected credit loss recognised | 1,618 | 1 | 361 | 1,980 |
| Depreciation of right-of-use assets | | | | |
| – allocated | (3) | – | – | (3) |
| – unallocated | | | | (1,049) |
| | | | | (1,052) |
| Depreciation of property, plant and equipment | | | | |
| – allocated | (1,529) | (38) | (235) | (1,802) |
| – unallocated | | | | (53) |
| | | | | (1,855) |
| Taxation | – | – | (5,464) | (5,464) |

For the six months ended 31 December 2021 (Unaudited)

| | Cables and wires HK\$'000 | Copper rods HK\$'000 | Investment properties HK\$'000 | Total HK\$'000 | Elimination HK\$'000 | Total HK\$'000 |
|---|---------------------------------|----------------------------|--------------------------------------|-------------------|-------------------------|-------------------|
| Revenue from external customers | 169,709 | 91,419 | 7,046 | 268,174 | – | 268,174 |
| Inter-segment revenue | – | 6,355 | – | 6,355 | (6,355) | – |
| Reportable segment revenue | 169,709 | 97,774 | 7,046 | 274,529 | (6,355) | 268,174 |
| Reportable segment profit | 2,725 | 2,470 | 78,485 | 83,680 | – | 83,680 |
| Finance costs | (7,388) | (514) | (1,013) | (8,915) | – | (8,915) |
| Change in fair value of derivative financial instruments, net | | | | | | |
| – allocated | (92) | – | – | (92) | – | (92) |
| – unallocated | | | | | | 2,784 |
| | | | | | | 2,692 |
| Change in fair value of investment properties | – | – | 71,413 | 71,413 | – | 71,413 |
| Gain on disposal of property, plant and equipment | – | – | 19 | 19 | – | 19 |
| Reversal of expected credit loss/(expected credit loss) recognised, net | | | | | | |
| – allocated | (850) | (432) | 2,134 | 852 | – | 852 |
| – unallocated | | | | | | 348 |
| | | | | | | 1,200 |
| Depreciation of right-of-use assets | | | | | | |
| – allocated | (4) | (108) | (12) | (124) | – | (124) |
| – unallocated | | | | | | (951) |
| | | | | | | (1,075) |
| Depreciation of property, plant and equipment | | | | | | |
| – allocated | (2,016) | (139) | (155) | (2,310) | – | (2,310) |
| – unallocated | | | | | | (66) |
| | | | | | | (2,376) |
| Taxation | – | – | (16,124) | (16,124) | – | (16,124) |

As at 31 December 2022 (Unaudited)

| | Cables and wires <i>HK\$'000</i> | Copper rods <i>HK\$'000</i> | Investment properties <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---------------------------------|--|-----------------------------------|---|--------------------------|
| Reportable segment assets | 300,482 | 47,102 | 758,935 | 1,106,519 |
| Additions to non-current assets | 695 | – | 37,152 | 37,847 |
| Reportable segment liabilities | 178,752 | 4,077 | 282,920 | 465,749 |

As at 30 June 2022 (Audited)

| | Cables and wires <i>HK\$'000</i> | Copper rods <i>HK\$'000</i> | Investment properties <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---------------------------------|--|-----------------------------------|---|--------------------------|
| Reportable segment assets | 285,306 | 69,996 | 796,189 | 1,151,491 |
| Additions to non-current assets | 5,160 | – | 129,542 | 134,702 |
| Reportable segment liabilities | 238,479 | 4,145 | 267,299 | 509,923 |

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

| | For the six months ended | |
|--|---------------------------------|--------------------|
| | 31 December | |
| | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| (Loss)/profit before taxation | | |
| Reportable segment profit | 4,534 | 83,680 |
| Change in fair value of financial assets at fair value through profit or loss | (659) | (3,173) |
| Share of results of joint ventures | (4) | – |
| Share of results of associates | (1,403) | (5,980) |
| Unallocated finance costs | (40) | (375) |
| Unallocated corporate expenses | (7,983) | (9,900) |
| Consolidated (loss)/profit before taxation | <u>(5,555)</u> | <u>64,252</u> |
| | 31 December | 30 June |
| | 2022 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Audited) |
| Assets | | |
| Reportable segment assets | 1,106,519 | 1,151,491 |
| Mining right | 486,806 | 486,820 |
| Interests in joint ventures | 9,047 | 9,040 |
| Interests in associates | 2,135 | 3,677 |
| Deferred tax assets | 12,877 | 12,877 |
| Unallocated bank balances and cash | 2,661 | 4,130 |
| Unallocated corporate assets | 9,358 | 24,429 |
| Consolidated total assets | <u>1,629,403</u> | <u>1,692,464</u> |

| | 31 December | 30 June |
|-----------------------------------|--------------------|-----------------|
| | 2022 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Audited) |
| Liabilities | | |
| Reportable segment liabilities | 465,749 | 509,923 |
| Deferred tax liabilities | 89,268 | 87,138 |
| Unallocated corporate liabilities | 4,862 | 6,723 |
| | <hr/> | <hr/> |
| Consolidated total liabilities | 559,879 | 603,784 |
| | <hr/> <hr/> | <hr/> <hr/> |

(c) Geographical information

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

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

| | For the six months ended | |
|---------------------|--|-----------------|
| | 31 December | |
| | Revenue from external customers | |
| | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| The PRC | 133,303 | 160,528 |
| Americas | 14,442 | 23,568 |
| Europe | 18,590 | 51,579 |
| Hong Kong | 11,853 | 21,699 |
| Other Asian regions | 16,364 | 10,800 |
| | <hr/> | <hr/> |
| | 194,552 | 268,174 |
| | <hr/> <hr/> | <hr/> <hr/> |

4. (LOSS)/PROFIT BEFORE TAXATION

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

| | For the six months ended | |
|--|--------------------------|--------------|
| | 31 December | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Depreciation of property, plant and equipment | 1,855 | 2,376 |
| Depreciation of right-of-use assets | 1,052 | 1,075 |
| Government subsidies | (304) | – |
| Loss/(gain) on disposal of property, plant and equipment | 777 | (19) |
| Loss on disposal of investment properties | 500 | – |
| Write-down/(reversal of write-down) on inventories | 1,189 | (33) |
| | <u>1,855</u> | <u>2,376</u> |

5. FINANCE COSTS

| | For the six months ended | |
|--------------------------------------|--------------------------|--------------|
| | 31 December | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Interest on borrowings | 10,657 | 8,874 |
| Imputed interest on promissory notes | – | 302 |
| Interest on lease liabilities | 35 | 114 |
| | <u>10,692</u> | <u>9,290</u> |

6. TAXATION

| | For the six months ended | |
|-----------------------------------|--------------------------|---------------|
| | 31 December | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Current tax – other jurisdictions | | |
| Tax for period | – | 171 |
| Deferred tax for the period | 5,464 | 15,953 |
| | <u>5,464</u> | <u>15,953</u> |
| Income tax expense | <u>5,464</u> | <u>16,124</u> |

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

7. DIVIDEND

The directors do not recommend the payment of any dividend for the six months ended 31 December 2022 (six months ended 31 December 2021: HK\$Nil).

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share amounts for the six months ended 31 December 2022 and 2021 is based on the (loss)/earnings for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the period.

| <i>(Loss)/earnings</i> | For the six months ended | |
|--|---|---|
| | 31 December | |
| | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| (Loss)/profit attributable to owners of the Company for the purpose of basic earnings per share | (10,912) | 46,741 |
| | <u><u> </u></u> | <u><u> </u></u> |
| <i>Number of shares</i> | For the six months ended | |
| | 31 December | |
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 2,374,532,340 | 2,374,532,340 |
| | <u><u> </u></u> | <u><u> </u></u> |

Since there is no potential dilutive ordinary share during the six months ended 31 December 2022, the basic and diluted loss per share are equal. The computation of diluted earnings per share for the six months ended 31 December 2021 did not assume the subscription of the Company's outstanding potential dilutive ordinary shares as they were anti-dilutive and therefore the basic and diluted earnings per share were the same.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2022, the Group purchased and disposed of property, plant and equipment of HK\$695,000 (six months ended 31 December 2021: HK\$960,000) and HK\$800,000 (six months ended 31 December 2021: HK\$15,000) respectively.

10. INVESTMENT PROPERTIES

| | Completed investment properties <i>HK\$'000</i> | Investment properties under construction <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|--|---------------------------------|
| At 1 July 2021 (Audited) | 377,692 | 273,304 | 650,996 |
| Additions | – | 129,542 | 129,542 |
| Change in fair value | (6,934) | 13,276 | 6,342 |
| Exchange realignment | (8,166) | (11,495) | (19,661) |
| | <hr/> | <hr/> | <hr/> |
| At 30 June 2022 and 1 July 2022 (Audited) | 362,592 | 404,627 | 767,219 |
| Additions | – | 37,152 | 37,152 |
| Disposals | (52,200) | – | (52,200) |
| Change in fair value | (9,193) | 31,048 | 21,855 |
| Exchange realignment | (11,995) | (15,303) | (27,298) |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2022 (Unaudited) | 289,204 | 457,524 | 746,728 |

The Group's investment properties were valued at 31 December 2022 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 based on one of the following approaches:

- (i) investment approach by capitalising the rental income derived from existing tenancies with due provision for any reversionary income potential of the tenancies;
- (ii) direct comparison approach by making reference to comparable sales evidence available as in the relevant market; or
- (iii) depreciated replacement cost approach by making reference to the market value of comparable land and the estimated replacement cost of the buildings.

These valuations gave rise to net fair value gain of HK\$21,855,000 during the current period (six months ended 31 December 2021: HK\$71,413,000).

No direct operating expenses arising on the investment properties were incurred during the six months ended 31 December 2022 and 2021.

On 28 July 2022, Chau's Electrical Company Limited ("Chau's Hong Kong"), a wholly owned subsidiary of the Group, entered into sale and purchase agreements with independent purchasers pursuant to which Chau's Hong Kong has agreed to dispose of its properties and carpark at a consideration of HK\$50,000,000 and HK\$2,500,000 respectively (the "Disposal"). The Disposal has been completed on 13 October 2022 and the aggregate net proceeds of the Disposal were approximately HK\$51,700,000. During the period, a loss on disposal of investment properties of HK\$500,000 was recognised in profit or loss.

11. INTANGIBLE ASSETS

| | Mining right <i>HK\$'000</i> |
|--|--|
| COST: | |
| At 1 July 2022 (Audited) | 1,167,718 |
| Exchange realignments | (14) |
| | <hr/> |
| At 31 December 2022 (Unaudited) | 1,167,704 |
| ACCUMULATED AMORTISATION AND IMPAIRMENT: | |
| At 1 July 2022 (Audited) and 31 December 2022 (Unaudited) | 680,898 |
| | <hr/> |
| NET CARRYING AMOUNT: | |
| At 31 December 2022 (Unaudited) | 486,806 |
| | <hr/> |
| At 30 June 2022 (Audited) | 486,820 |
| | <hr/> <hr/> |

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.

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

At 31 December 2022, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of approximately HK\$58,859,000 (30 June 2022: HK\$74,017,000).

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

| | 31 December 2022 <i>HK\$'000</i> (Unaudited) | 30 June 2022 <i>HK\$'000</i> (Audited) |
|----------------|--|---|
| Within 30 days | 19,176 | 46,536 |
| 31 – 60 days | 18,121 | 9,549 |
| 61 – 90 days | 14,808 | 11,161 |
| Over 90 days | 6,754 | 6,771 |
| | <hr/> | <hr/> |
| | 58,859 | 74,017 |
| | <hr/> <hr/> | <hr/> <hr/> |

- (iii) At 31 December 2022, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to approximately HK\$465,000 (30 June 2022: HK\$5,293,000) resulting from the net settlements of derivative financial instruments which were in the closed-out positions at the end of reporting period.

13. BILLS RECEIVABLE

As at 31 December 2022 and 30 June 2022, all bills receivable aged within 90 days.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 31 December 2022 HK\$'000 (Unaudited) | 30 June 2022 HK\$'000 (Audited) |
|--|--|--|
| Equity securities held for trading and listed in Hong Kong | 6,139 | 6,798 |

The fair values of the equity securities are determined based on the quoted market prices. During the period, a loss on change in fair value of HK\$659,000 (six months ended 31 December 2021: HK\$3,173,000) was recognised in profit or loss.

15. DERIVATIVE FINANCIAL INSTRUMENTS

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

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 gain on change in fair value of derivative financial instruments of approximately HK\$132,000 (six months ended 31 December 2021: HK\$2,692,000) has been recognised in the profit or loss during the period. All of these derivative financial instruments are not designated as hedging instruments.

16. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

At 31 December 2022, included in the Group's creditors, other advances and accrued charges were trade creditors of HK\$53,053,000 (30 June 2022: HK\$54,731,000).

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

| | 31 December 2022 HK\$'000 (Unaudited) | 30 June 2022 HK\$'000 (Audited) |
|----------------|--|--|
| Within 30 days | 35,771 | 37,393 |
| 31 – 60 days | 6,429 | 6,251 |
| 61 – 90 days | 2,542 | 3,576 |
| Over 90 days | 8,311 | 7,511 |
| | 53,053 | 54,731 |

17. BORROWINGS

During the six months ended 31 December 2022, the Group raised new borrowings of HK\$Nil (six months ended 31 December 2021: HK\$183,869,000) to provide for additional working capital and made repayment of HK\$56,169,000 (six months ended 31 December 2021: HK\$61,657,000). The borrowings of HK\$269,767,000 of the Group are secured. The average effective interest rates of the bank borrowings range from 5.8% to 7.6% (30 June 2022: 1.5% to 7.6%) per annum. The average effective interest rates of the other loans were Nil (30 June 2022: 10.8%) per annum.

18. PROMISSORY NOTES

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. The promissory note was unsecured, bear interest at 6% per annum and matured at 30 April 2021. During the year ended 30 June 2021, the maturity date was extended to 29 November 2021. During the year ended 30 June 2022, the maturity date was further extended to 29 May 2022. On 29 April 2022, its principal amount and accrued interest were fully paid in cash by the Company.

The promissory note was 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 are as follows:

| | 30 June 2022 HK\$'000 (Audited) | 31 December 2021 HK\$'000 (Unaudited) |
|-------------------------------------|--|--|
| At the beginning of the year/period | 8,960 | 8,960 |
| Imputed interest | 421 | 302 |
| Redemption | (8,000) | (2,000) |
| Interest paid | (1,381) | (300) |
| | <hr/> | <hr/> |
| At the end of the year/period | – | 6,962 |
| | <hr/> <hr/> | <hr/> <hr/> |

19. SHARE CAPITAL

| | Number of shares | | Share capital | |
|---|--|--------------------------------------|--|--|
| | 31 December 2022 '000 (Unaudited) | 30 June 2022 '000 (Audited) | 31 December 2022 HK\$'000 (Unaudited) | 30 June 2022 HK\$'000 (Audited) |
| Ordinary shares of HK\$0.01 each: | | | | |
| Authorised | 50,000,000 | 50,000,000 | 500,000 | 500,000 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Issued and fully paid: | | | | |
| At beginning and at end of the period/year | 2,374,532 | 2,374,532 | 23,745 | 23,745 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

20. CAPITAL COMMITMENTS

| | 31 December 2022 HK\$'000 (Unaudited) | 30 June 2022 HK\$'000 (Audited) |
|---|--|--|
| Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of construction of: | | |
| Buildings | <u>148,758</u> | <u>191,138</u> |

21. SHARE OPTION SCHEME

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

Under the Scheme, the Board of the Company may grant options to the Participants to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the offer date, which must be a business day; (ii) the average of the closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share, subject to a maximum of 237,453,234 shares, representing approximately 10% of the issued share capital of the Company as at the date of annual general meeting on 6 December 2019.

No share options were granted under the Scheme during the six months ended 31 December 2021 and 2022. During the six months ended 31 December 2021, 53,800,000 share options under the Scheme lapsed. As at 30 June 2022 and 31 December 2022, the Company did not have any outstanding share option under the Scheme accordingly.

- (b) On 5 December 2022, the Company adopted a new share option scheme (the “**New Scheme**”) for the primary purpose of providing incentives to employees, executive and non-executive directors of the Company or any subsidiaries or such persons who from time to time are determined by the Board as its discretion as having contributed to the Group based on his/her performance and/or years of services, or valuable resources and other relevant factors (the “**Employee Participants**”), to recruit and retain high calibre employees. Additionally, the Company may, from time to time, grant share options to such persons who provide services to the Company or any subsidiaries on a continuing and recurring basis in the ordinary and usual course of business of the Group (the “**Service Providers**”) in the interest of the long term growth of the Group as determined by the Board.

Under the New Scheme, the Board of the Company may grant options to the Employee Participants and Service Providers to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotation sheets on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares, subject to a maximum 10% of the issued share capital of the Company as at the date of approval from the Company’s shareholders.

No share options were granted during the six months ended 31 December 2022 under the New Scheme.

22. RELATED PARTY TRANSACTIONS

In addition to the information detailed elsewhere in these unaudited interim condensed consolidated 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.

23. PLEDGE OF ASSETS

As at 31 December 2022, the Group has pledged property, plant and equipment, investment properties, right-of-use assets in the aggregate amount of HK\$678,572,000 (30 June 2022: HK\$691,512,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board announced that for the six months ended 31 December 2022 (the “**period under review**”), the total turnover of the Group was approximately HK\$194,552,000, representing a decrease of 27.5% as compared to approximately HK\$268,174,000 recorded for the corresponding period last year. During the period under review, loss attributable to the owners of the Company was approximately HK\$10,912,000, as compared to profit attributable to the owners of the Company of approximately HK\$46,741,000 for the corresponding period last year.

Loss per share for the period under review was approximately HK0.46 cent (Earnings per share for 2021/2022 interim: HK1.97 cents).

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 31 December 2022 (31 December 2021 interim: nil).

BUSINESS REVIEW

The Group’s turnover for the period under review was approximately HK\$194,552,000, representing a decrease of 27.5% as compared to approximately HK\$268,174,000 for the same period of last year. By business segments, the turnover of cables and wires business was approximately HK\$109,912,000, representing a decrease of 35.2% as compared to approximately HK\$169,709,000 for the same period of last year and accounting for 56.5% of the Group’s total turnover. Turnover of copper rod business was approximately HK\$78,718,000, representing a decrease of 13.9% as compared to approximately HK\$91,419,000 for the same period of last year and accounting for 40.5% of the Group’s total turnover. Turnover of leasing business was approximately HK\$5,922,000, representing a decrease of 16.0% as compared to approximately HK\$7,046,000 for the same period of last year and accounting for 3.0% of the Group’s total turnover. Other businesses remained dormant during the period under review.

By geographical market segments, turnover from the business in the Americas decreased by 38.7% to approximately HK\$14,442,000 from approximately HK\$23,568,000 for the same period of last year, accounting for 7.4% of the Group’s total turnover. Turnover from the business in Mainland China and Hong Kong decreased by 20.3% to approximately HK\$145,156,000 from approximately HK\$182,227,000 for the same period of last year, accounting for 74.6% of the Group’s total turnover. Turnover from the business in Europe decreased by 64.0% to approximately HK\$18,590,000 from approximately HK\$51,579,000 for the same period of last year, accounting for 9.6% of the Group’s total turnover. Turnover from the business in other Asian regions increased by 51.5% to approximately HK\$16,364,000 from approximately HK\$10,800,000 for the same period of last year, accounting for 8.4% of the Group’s total turnover.

Cables and Wires

The Group's turnover of the cables and wires business for the period under review was approximately HK\$109,912,000, representing a decrease of 35.2% as compared to approximately HK\$169,709,000 for the same period of last year. The major customers are primarily manufacturers of white goods appliances. During the period under review, the social and economic impacts of the ongoing and stringent anti-pandemic measures in China and the Russian-Ukrainian war in Europe gradually emerged, resulting in lower demand for home appliances. In addition, the Group's logistics and operation of plants were also severely affected by the anti-pandemic measures. The above factors contributed to the decline of the Group's cables and wires business during the period under review.

Copper Rod Business

The copper rod business includes the trading of copper rods and copper wires and their related products. During the period under review, the turnover of the copper rod business was approximately HK\$78,718,000, representing a decrease of 13.9% as compared to approximately HK\$91,419,000 for the corresponding period of last year. International copper prices were on the rise during the period under review, and the 3-month London Metal Exchange copper prices increased from approximately US\$7,500 per tonne at the beginning of the period under review to approximately US\$8,400 per tonne at the end of the period under review. Although the international copper prices increased during the period under review, the copper rod trading business operated in a more challenging environment as impacted by the stringent anti-pandemic measures in China and the Russia-Ukraine war. The Group has been closely monitoring the development of the operating environment and adopted targeted marketing strategies accordingly.

Rental Income

Investment properties of the Group mainly comprise industrial properties in Hong Kong and the PRC. During the period under review, rental income was approximately HK\$5,922,000, representing a decrease of approximately 16.0% as compared with approximately HK\$7,046,000 for the same period of last year. The decrease in rental was due to the disposal of properties in Kowloon Bay by the Group and the impact of changes in Renminbi exchange rate during the period under review.

Mining

The Group's mineral resources are concentrated in Dundgobi Aimag and Bayan-Ulgii Aimag, Mongolia. No revenue was recorded for the period under review as these projects did not carry out any production activities.

During the period under review, inflation and currency depreciation intensified in Mongolia, and the tightening monetary policies adopted by countries further complicated the global economic outlook. Meanwhile, China and Mongolia have not fully lifted COVID-19 related restrictions. Apart from the work required to maintain mining rights, no large-scale capital investment was made by the Group in respect of the mining business of the Group in Mongolia during the period under review. The Group will closely monitor the economic conditions in and outside Mongolia and make corresponding investment strategy in a more prudent manner.

PROSPECTS

The construction of the Group's modern factory buildings Phase I in Dongguan almost completed. The Directors expect that the newly constructed facilities will start to generate income for the Group in the coming year. At the same time, the Group will regularly review the strategies for allocation and development of its existing land resources, with a view to increasing the Group's income and enhancing returns to shareholders.

During the period under review, given the unfavorable prospect of the building stones industry at this stage and the quality issues on the constructor side, the Group has suspended the construction works of 廉江市周氏石材有限公司 (Lianjiang Zhou's Marble Company Limited*), an indirect non-wholly owned subsidiary of the Group, to reconsider the development prospect of the project and the possibility of its disposal.

With the relaxation of anti-pandemic measures and the gradual opening up of the country, the Group believes that the changes in domestic policies will improve the operating environment of the Group's wires and cables business. The Group will adjust its sales strategy in due course to increase sales, so as to mitigate some unascertained impact brought by the Russia-war.

Looking ahead, the Group will continue to optimise and consolidate its existing operations, actively identify potential business partners and new business opportunities with growth potential to achieve a balanced development with existing business, expand its revenue streams to achieve diversified and sustainable development, and increase shareholder value.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had approximately 400 employees in Hong Kong, the People's Republic of China (“**PRC**”) and overseas (30 June 2022: 400). 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.

In compliance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), employees of the Group in Hong Kong are required to participate in the Mandatory Provident Fund Scheme of the Group (the “**MPF Scheme**”). The MPF Scheme is a defined contribution plan administered by an independent corporate trustee. Under the MPF Scheme, each of the Group and each of its employees are required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly income of HK\$30,000. The Group's contributions under the above-mentioned defined contribution retirement plan are expenses as incurred. Moreover, all the employees of the Group's entities incorporated in the PRC participate in the employee social security plans, including pension, medical, housing and other welfare benefits, organised and administered by the relevant local governments.

During the six months ended 31 December 2022 and 31 December 2021, the Group had no forfeited contributions under the retirement benefits schemes utilised to reduce its existing level of contributions to the pension plans in future years.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the six months ended 31 December 2022, the Group implemented a prudent financial management policy. As at 31 December 2022, the Group had cash and bank balances amounting to approximately HK\$79 million (30 June 2022: HK\$71 million) and value of net current assets was approximately HK\$80 million (30 June 2022: HK\$64 million). The Group's gearing ratio as at 31 December 2022 was 0.25 (30 June 2022: 0.31), being a ratio of total borrowings of approximately HK\$270 million (30 June 2022: HK\$337 million) to shareholders' funds of approximately HK\$1,070 million (30 June 2022: HK\$1,089 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 the fluctuations in the Renminbi exchange rate and any other exchange risks.

CHARGES ON GROUP ASSETS

As at 31 December 2022, the Group had pledged property, plant and equipment, investment properties and right-of-use assets with an aggregate net book value of approximately HK\$679 million (30 June 2022: HK\$692 million) to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2022, the Company did not issue guarantees to secure any loan granted to its subsidiaries (as at 30 June 2022, the Company had issued guarantees to the extent of approximately HK\$50 million to secure the total loans of approximately HK\$50 million granted to its subsidiary).

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 2022 and the changes in fair value were charged to the income statement. The net gain of the Derivative Financial Instruments for the period under review was approximately HK\$132,000 (31 December 2021 interim: HK\$2,692,000).

CAPITAL STRUCTURE

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

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

With effect from 15 August 2022, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Secretaries Limited (the “**Branch Share Registrar**”), has changed its address from Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong to:

17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

All telephone and facsimile numbers of the Branch Share Registrar remain unchanged.

SHARE OPTION SCHEME

2012 Share Option Scheme

The share option scheme (the “**2012 Share Option Scheme**”) was adopted by the Company on 18 December 2012 and expired on 17 December 2022.

Adoption of the New Share Option Scheme

To enable the Company to continue to grant options to eligible participants as incentives or rewards for their contributions to the success of the Group after the expiry of the 2012 Share Option Scheme, the Board convened the 2022 annual general meeting of the Company (the “**2022 AGM**”) which was held on 5 December 2022 to approve and adopt a new share option scheme (the “**New Share Option Scheme**”).

The terms of the New Share Option Scheme were prepared in compliance with Chapter 17 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the amendments to Chapter 17 of the Listing Rules which took effect on 1 January 2023. Details of the principal terms of the New Share Option Scheme were set out in the circular of the Company dated 10 November 2022.

The New Share Option Scheme has become effective upon fulfilment of the following conditions:

(a) Shareholders’ Approval

At the 2022 AGM, the ordinary resolution regarding the adoption of the New Share Option Scheme was passed by the shareholders of the Company by way of poll.

(b) The Listing Approval

On 7 December 2022, the Stock Exchange granted the approval for the listing of, and permission to deal in, the shares falling to be allotted and issued by the Company pursuant to the exercise of the options under the New Share Option Scheme.

Subject to the terms of the New Share Option Scheme, it has been valid and effective for a period of 10 years from 5 December 2022.

As separately approved by the shareholders at the 2022 AGM, the Service Provider Sublimit under all share option schemes of the Company (including the New Share Option Scheme) shall be 3% of the Shares in issue as at the date of passing the relevant resolution.

SHARE OPTIONS

Under the 2012 Share Option Scheme, no share options were granted, exercised or cancelled during the period under review and there were no outstanding share options to subscribe shares of the Company as at 31 December 2022.

Under the New Share Option Scheme, no share options were granted, exercised or cancelled during the period under review and there were no outstanding share options to subscribe shares of the Company as at 31 December 2022.

As at 31 December 2022, under the refreshed scheme mandate limit which was approved by way of an ordinary resolution of the shareholders at the annual general meeting of the Company held on 6 December 2019, the Company could grant share options for up to 237,453,234 Shares, representing 10% of the Shares in issue of the Company as at the date of this announcement.

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF THE PROPERTIES OF CHAU'S ELECTRICAL COMPANY LIMITED

On 13 July 2022, the Company announced that on 13 July 2022 (after the trading hours), Chau's Electrical Company Limited (the "**Vendor**"), an indirect wholly-owned subsidiary of the Company, entered into the following two preliminary sale and purchase agreements:

(a) Workshops Preliminary Agreement

The preliminary sale and purchase agreement with Hongkong Breezy Point Holdings Limited ("**Purchaser A**"), as purchaser, in relation to the sales and purchase of Workshop 7 with 2 lightwell spaces on 2nd floor ("**Workshop 7**") and Workshop 5 on 1st floor ("**Workshop 5**"), Kingsford Industrial Centre, No. 13 Wang Hoi Road, Kowloon, Hong Kong, at the consideration of HK\$50,000,000 (the "**Workshops Preliminary Agreement**").

(b) Carpark Preliminary Agreement

The preliminary sale and purchase agreement with Mr. Chen Weigang (陳偉鋼) ("**Purchaser B**"), as purchaser, in relation of the sale and purchase of Car Park No. L5 (the "**Parking Space**") on 1st floor, Kingsford Industrial Centre, No. 13 Wang Hoi Road, Kowloon, Hong Kong, at the consideration of HK\$2,500,000 (the "**Carpark Preliminary Agreement**").

The Workshops Preliminary Agreement and the Carpark Preliminary Agreement are collectively referred to as the “**Preliminary Agreements**”, Purchaser A and Purchaser B are collectively referred to as the “**Purchasers**”, the disposal contemplated under each of the Preliminary Agreements are collectively referred to as “**Disposal**”, and Workshop A, Workshop B and the Parking Space under the Preliminary Agreements are collectively referred to as the “**Properties**”.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Purchasers and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

The total consideration of HK\$52,500,000 for the Disposal under each of the Preliminary Agreements was determined after arm’s length negotiation between the Vendor and the Purchasers with reference to the valuation of the Properties conducted by an independent valuer as at 31 December 2021 of approximately HK\$59,300,000 (the “**Appraised Value**”) and the recent property market conditions in Hong Kong.

The aggregate net proceeds of the Disposal (after deduction of transaction costs, agency fees and ancillary expenses) were approximately HK\$51,700,000. The Company intended to apply the net proceeds of the Disposal for repayment of the outstanding principal and accrued interest under the General Credit Facilities.

On 13 October 2022, the Company announced that the Vendor and the Purchasers entered into formal agreements for the sale and purchase of the Properties on 28 July 2022 and completion of Disposal took place on 13 October 2022.

Details of the Disposal were set out in the announcements of the Company dated 13 July 2022 and 13 October 2022, the Company’s 2022 Annual Report and the Note 10 to the consolidated financial statement of this announcement.

SIGNIFICANT INVESTMENT

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

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

As at 31 December 2022, the interest of the Directors and their associates in the Shares, underlying shares or debentures of the Company or any of the Company's associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") are as follows:

| Name of Director | Capacity | Number of Shares held in long position | Total percentage of the issued share capital of the Company |
|-------------------------|------------------|---|--|
| Chau Chi Ho | Beneficial owner | 39,380,000 | 1.66% |
| Lo Wai Ming | Beneficial owner | 400,000 | 0.02% |
| Lo Chao Ming | Beneficial owner | 300,000 | 0.01% |

Other than as disclosed above, as at 31 December 2022, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of the Company's associated corporation (within the meaning of Part XV of the SFO), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as is known to the Directors and chief executive of the Company, as at 31 December 2022, there were no persons (other than the Directors or the chief executive of the Company) who had a notifiable interest or short position in the shares or underlying shares of the Company recorded in the register kept by the Company pursuant to section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the six months ended 31 December 2022.

CORPORATE GOVERNANCE

With effect from 1 January 2022, the structure of Appendix 14 to the Listing Rules has been updated and renamed as the Corporate Governance Code. The provisions of the updated Corporate Governance Code (the “**Code**”) are applicable to financial years commencing on or after 1 January 2022.

During the period under review, the Company has adopted the principles and complied with all code provisions and, where applicable, the recommended best practices as set out in Appendix 14 to the Listing Rules, save and except for the deviations from Code provisions B.2.3, C.2.1 and F.2.2 of the Code which are explained below.

Code provision B.2.3

Under Code provision B.2.3, if an independent non-executive director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by the shareholders of the Company.

Mr. Chung Kam Kwong (“**Mr. Chung**”) has been an independent non-executive Director of the Company for more than nine years since 1 March 2003. In accordance with the Bye-laws of the Company, Mr. Chung retired from office by rotation at the 2021 annual general meeting of the Company held on 3 December 2021 (the “**2021 AGM**”) and offered himself for re-election at the 2021 AGM. Mr. Chung has been serving as the chairman of the Audit Committee of the Company for more than 18 years and possesses professional qualification in accounting and financial management. Coupled with his 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. An ordinary resolution was passed at the 2021 AGM to approve the re-appointment of Mr. Chung 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 2021 AGM and offered himself for re-election at the 2021 AGM. Mr. Lo Wai Ming has more than 35 years’ experience in capital investment, consumer marketing, infrastructure investment and management, business development and corporate finance and an in-depth understanding of the Company’s operations and business. Mr. Lo Wai Ming 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 Wai Ming would not affect his exercise of independent judgement and are satisfied that Mr. Lo Wai Ming has the required character, integrity and experience to continue fulfilling the role of an Independent Non-executive Director and consider Mr. Lo Wai Ming to be independent. An ordinary resolution was passed at the 2021 AGM to approve the re-appointment of Mr. Lo Wai Ming as an independent non-executive Director of the Company.

Mr. Lo Chao Ming (“**Mr. Lo**”) 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 retired from office by rotation at the 2020 annual general meeting of the Company held on 4 December 2020 (the “**2020 AGM**”) and offered himself for re-election at the 2020 AGM. Mr. Lo has extensive knowledge and experience in the cable and wire industry, and an 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. An ordinary resolution was passed at the 2022 AGM to approve the re-appointment of Mr. Lo as an independent non-executive Director of the Company.

Code provision C.2.1

Under Code provision C.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 (“**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 F.2.2

Under Code provision F.2.2, the chairman of the Board should attend the annual general meeting of the Company.

During the year under review, Mr. Chau, the Chairman and the Managing Director of the Company, was unable to attend the 2022 AGM as he has stayed in the PRC for the Group's business operations and could not return to Hong Kong due to the COVID-19 pandemic. Mr. Chau Chi Ho, the deputy Chairman of the Company, presided over the 2022 AGM.

AUDIT COMMITTEE

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

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

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

Hong Kong, 27 February 2023

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.