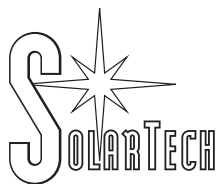


**THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular, you should consult your stockbroker, other licensed corporation, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Solartech International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker, other licensed corporation or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



**SOLARTECH INTERNATIONAL HOLDINGS LIMITED**

**榮盛科技國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1166)**

**MAJOR TRANSACTION**

**PROPOSED DISPOSAL OF BUSINESS INTERESTS AND  
ACQUISITION OF A CONTROLLING INTEREST IN  
FT HOLDINGS INTERNATIONAL LIMITED**

**Financial adviser to Solartech International Holdings Limited**



A letter from the board of directors of Solartech International Holdings Limited is set out on pages 4 to 18 of this circular.

A notice convening a special general meeting of Solartech International Holdings Limited to be held at 9:00 a.m. on 30 June 2004 at No. 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong is set out on pages 33 to 34 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the head office and principal place of business of Solartech International Holdings Limited at No. 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

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## DEFINITIONS

*In this circular, the following expressions have the following meanings, unless the context requires otherwise:*

“Acquisition Agreement”	the agreement dated 25 March 2004 under which the Company conditionally agreed to dispose of and FT Holdings conditionally agreed to acquire the Sale Interests and the Sale Assets from the Company
“Announcement”	the joint announcement dated 1 April 2004 made by the Company and FT Holdings in relation to, amongst other things, the Transaction
“Board”	the board of Directors
“China Star HK”	China Star HK Entertainment Company Limited, a wholly-owned subsidiary of China Star Entertainment Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 326)
“Company”	Solartech International Holdings Limited, a company incorporated in Bermuda, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition Agreement
“Consideration Shares”	8,000,000,000 new FT Shares to be allotted and issued at HK\$0.04 each to the Company (or such person as the Company may direct) to satisfy the consideration for the Sale Interests and the Sale Assets under the Acquisition Agreement
“Copper Group”	the group comprising Dongguan Hua Yi (including the plant and machinery and a parcel of land currently owned by it), Hua Yi and Wah Yeung and the other assets employed and liabilities incurred (including the land and buildings currently owned by a wholly-owned subsidiary within the Remaining Group) for the business of manufacture and trading of copper rod and related products
“Director(s)”	the director(s) of the Company
“Dongguan Hua Yi”	Dongguan Hua Yi Brass Products Company Limited, a wholly foreign owned enterprise established under the laws of the PRC on 28 December 1995 with operation period up to 27 December 2007 (subject to subsequent renewal by relevant PRC authorities) and an indirect wholly-owned subsidiary of the Company
“Dongguan Hua Yi Interest”	100% of the paid up registered capital of Dongguan Hua Yi

## DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the SFC, or any delegate of the Executive Director
“FT Board”	the board of directors of FT Holdings
“FT Group”	FT Holdings and its subsidiaries
“FT Holdings”	FT Holdings International Limited, a company incorporated in Bermuda, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock code: 559)
“FT SGM”	the special general meeting of FT Holdings to be held to seek the Independent FT Shareholders’ approval of the Transaction and the Whitewash Waiver and the FT Shareholders’ approval of the increase in authorised share capital of FT Holdings
“FT Shares”	ordinary shares in the share capital of FT Holdings of par value HK\$0.01 each
“FT Shareholders”	holders of the FT Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hua Yi”	Hua Yi Copper Products Company Limited, a company incorporated in Hong Kong with limited liability on 6 May 1998 and a wholly-owned subsidiary of Wah Yeung
“Independent Shareholders”	Shareholders who are not involved in or interested in the Transaction (specifically excluding Mr. Chau, Mr. Ng Tak Chak, Nelson and their respective associates)
“Independent FT Shareholders”	FT Shareholders who are not involved in or interested in the Transaction (specifically excluding China Star HK, the Company, Mr. Chau and parties acting in concert with any of them and their respective associates)
“Latest Practicable Date”	10 June 2004, being the latest practicable date for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange in effect prior to 31 March 2004
“Mr. Chau”	Mr. Chau Lai Him, Chairman and Managing Director of the Company and the single largest Shareholder interested in 20.4% of the issued share capital of the Company

## DEFINITIONS

“PRC”	the People’s Republic of China
“Remaining Group”	the Group excluding the Copper Group
“Sale Assets”	the plant and machinery and the land and buildings comprising the production base and facilities of the Copper Group
“Sale Interests”	the Dongguan Hua Yi Interest and the Wah Yeung Share
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held on 30 June 2004 or any adjournment thereof
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Transaction”	the transactions contemplated under the Acquisition Agreement
“Whitewash Waiver”	a waiver from the obligation of the Company to make a mandatory offer for all the FT Shares under Rule 26 of the Takeovers Code as a result of the issue of the Consideration Shares to the Company (or to such person as the Company may direct) upon Completion
“Wah Yeung”	Wah Yeung Capital Resources Limited, a company incorporated in the British Virgin Islands with limited liabilities on 13 May 1997 and an indirect wholly-owned subsidiary of the Company
“Wah Yeung Share”	one issued share of US\$1.00 in the capital of Wah Yeung, representing its entire issued share capital at Completion
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

## LETTER FROM THE BOARD



### SOLARTECH INTERNATIONAL HOLDINGS LIMITED

榮盛科技國際控股有限公司\*

(Incorporated in Bermuda with limited liability)

*Executive Directors:*

CHAU Lai Him (Chairman and Managing Director)

ZHOU Jin Hua (Deputy Chairman)

LAU Man Tak

LIU Jin Rong

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Independent non-executive Directors:*

CHUNG Kam Kwong

LO Kao Cheng

LO Wai Ming

*Head office and principal place of  
business in Hong Kong:*

No. 7, 2nd Floor

Kingsford Industrial Centre

13 Wang Hoi Road

Kowloon Bay

Kowloon

Hong Kong

14 June 2004

*To the Shareholders*

Dear Sir/Madam,

### **MAJOR TRANSACTION PROPOSED DISPOSAL OF BUSINESS INTERESTS AND ACQUISITION OF A CONTROLLING INTEREST IN FT HOLDINGS INTERNATIONAL LIMITED**

#### **INTRODUCTION**

On 1 April 2004, the Board announced that the Company and FT Holdings entered into the Acquisition Agreement on 25 March 2004 pursuant to which the Company agreed to procure the sale and FT Holdings agreed to procure the purchase of the Sale Interests and the Sale Assets. The Sale Interests and the Sale Assets represent the entire ownership and interest of the Group in the Copper Group. The aggregate consideration for the sale and purchase of the Sale Interests and the Sale Assets is at an agreed value of HK\$320 million which will be satisfied by the issue and allotment of 8,000 million new FT Shares at a notional price of HK\$0.04 each by FT Holdings to the Company (or to such person as the Company may direct) at Completion. The Transaction constitutes a major transaction for the Company under the Listing Rules, which requires Independent Shareholders' approval.

\* For identification only

## LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with, among other things, further information regarding the Transaction and to give the Shareholders notice of the SGM at which a resolution will be proposed to seek the approval of the Independent Shareholders regarding the Transaction.

### THE ACQUISITION AGREEMENT

**Date:**

25 March 2004

**Parties:**

The Company (as vendor)  
FT Holdings (as purchaser)

**Subject matter of sale and purchase:**

Pursuant to the Acquisition Agreement, the Company agreed to procure the sale and FT Holdings agreed to procure the purchase of the Sale Interests and the Sale Assets free from all encumbrances (except the existing mortgage to a bank to which the land and buildings occupied by the Copper Group are subject). The Sale Interests and the Sale Assets represent the entire ownership and interest of the Group in the Copper Group.

**Consideration:**

The aggregate consideration for the sale and purchase of the Sale Interests and the Sale Assets is at an agreed value of HK\$320 million and will be satisfied by the issue and allotment of the Consideration Shares at a notional price of HK\$0.04 each by FT Holdings to Company (or to such person as the Company may direct) at Completion.

The Consideration Shares represent approximately 308.7% of the existing issued share capital of FT Holdings and approximately 75.5% of the issued share capital of FT Holdings as enlarged by the issue of the Consideration Shares. Application has been made by FT Holdings to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

The notional issue price of HK\$0.04 per Consideration Share represents:

- (i) a discount of approximately 44.4% to the closing price of HK\$0.072 of the FT Shares as quoted on the Stock Exchange on 22 March 2004, being the last full trading day for the FT Shares before the suspension of trading in the FT Shares on the Stock Exchange since 2:30 p.m. on 23 March 2004;
- (ii) a discount of approximately 37.4% to the average closing price of HK\$0.0639 of the FT Shares as quoted on the Stock Exchange during the period of the last 10 full trading days before the suspension of trading of the FT Shares on the Stock Exchange since 2:30 p.m. on 23 March 2004;

## LETTER FROM THE BOARD

- (iii) a discount of approximately 32.9% to the average closing price of HK\$0.0596 of the FT Shares as quoted on the Stock Exchange during the period of 30 full trading days before the suspension of trading of the FT Shares on the Stock Exchange since 2:30 p.m. on 23 March 2004;
- (iv) a premium of approximately 11.1% to the closing price of HK\$0.0360 of the FT Shares as quoted on the Stock Exchange as at the Latest Practicable Date;
- (v) a premium of approximately 9.3% to the average closing price of HK\$0.0366 of the FT Shares during the period of the last 10 full trading days of the FT Shares on the Stock Exchange up to and including the Latest Practicable Date;
- (vi) a premium of approximately 11.1% to the average closing price of HK\$0.0360 of the FT Shares during the period of 30 full trading days of the FT Shares on the Stock Exchange up to and including the Latest Practicable Date; and
- (vii) a discount of approximately 10.9% to the audited net tangible assets of FT Holdings of HK\$0.0449 per FT Share as at 31 December 2003.

Based on the closing price of HK\$0.0360 per FT Share as quoted on the Stock Exchange as at the Latest Practicable Date, the Consideration Shares was valued at HK\$288 million.

The consideration was determined after arm's length negotiations between the Company and FT Holdings and with reference to a 20 times price-earnings multiple of the guaranteed net profit after tax of the Copper Group comprising Dongguan Hua Yi, Hua Yi and Wah Yeung (in aggregate) for the year ended 31 March 2004 of HK\$16,000,000. Such price-earnings multiple was determined with reference to the historical price-earnings multiples of comparable companies listed on the Stock Exchange which are engaged in copper and metal related business, ranging from approximately 22 times to 23.5 times. Taking into account the price-earnings multiples of the comparable companies and the reasons for and benefits of the Transaction as described under the section headed "Reasons for and benefits of the Transaction" below, the Board is of the view that the Transaction is in the interests of the Company and its shareholders as a whole and the terms of the Acquisition Agreement (including the consideration) are fair and reasonable.

The Company covenants with FT Holdings that, in the event that the actual profits of the Copper Group comprising Dongguan Hua Yi, Hua Yi and Wah Yeung is less than the amount of the guaranteed net profit as stipulated above, it will pay or procure to be paid to FT Holdings a cash sum equals to 20 times of the shortfall. According to the accountants' report on the Copper Group as disclosed in the circular issued by FT Holdings on 14 June 2004, the Copper Group recorded audited net profit after tax of approximately HK\$26.0 million for the year ended 31 March 2004, which exceeds the aforesaid guaranteed profits. Accordingly, no compensation is required to be paid by the Company pursuant to the terms of the Acquisition Agreement.



## LETTER FROM THE BOARD

The directors of Solartech and FT Holdings have, among other factors, made reference to the price earnings multiples of companies listed on the main board of the Stock Exchange which are engaged in copper and metal related business when determining the consideration under the Acquisition Agreement. As such, it is commercially agreed between the Company and FT Holdings that an independent business valuation would not be necessary and therefore no such valuation has been or will be performed on the Copper Group.

### **Ranking of the Consideration Shares:**

The Consideration Shares, when issued, will rank pari passu in all respects among themselves and with the then issued FT Shares (including as regards voting rights) and will rank in full for all dividends and distributions which may be declared, made or paid on or after Completion.

### **Conditions precedent:**

Completion is subject to the following conditions precedent:

- (a) the Company being reasonably satisfied with the results of a financial due diligence review of the FT Group that the FT Group has net tangible assets of not less than HK\$80 million; the aggregate liabilities (including actual, contingent, current, deferred or otherwise) of the FT Group shall be no more than HK\$60 million; and the aggregate liabilities (including actual, contingent, current, deferred or otherwise) of FT Holdings shall be no more than HK\$20 million;
- (b) FT Holdings being reasonably satisfied with the results of a financial due diligence review of Dongguan Hua Yi, Hua Yi and Wah Yeung that there has been no material adverse change in the financial position of Dongguan Hua Yi, Hua Yi and Wah Yeung as compared to the unaudited management accounts of each of Dongguan Hua Yi, Hua Yi and Wah Yeung as at 30 September 2003;
- (c) FT Holdings having received a valuation report issued by a firm of independent valuers/accountants nominated by the Company valuing certain plant and machinery to be sold to FT Holdings to be worth no less than HK\$30 million;
- (d) (where applicable) the passing by the Shareholders at the SGM of the necessary resolutions approving the Acquisition Agreement and other transactions contemplated in or incidental to the Acquisition Agreement in accordance with the Listing Rules;
- (e) the passing by the FT Shareholders at the FT SGM of the necessary resolution approving the increase in authorised share capital of FT Holdings, and the passing by the Independent FT Shareholders at the FT SGM by way of poll of necessary resolutions approving the Acquisition Agreement, the issue of the Consideration Shares and other transactions contemplated in or incidental to the Acquisition Agreement in accordance with the Listing Rules and the Takeovers Code;
- (f) (where applicable) the Stock Exchange having granted approval for the issue of the Consideration Shares either unconditionally or subject to conditions to which neither

## LETTER FROM THE BOARD

the Company nor FT Holdings reasonably objects and such conditions (if any) having been satisfied and the Stock Exchange having granted listing of and permission to deal in the Consideration Shares;

- (g) the continued listing and trading in the FT Shares on the Stock Exchange not being withdrawn or suspended for a period exceeding 12 consecutive trading days or such longer period as the Company and FT Holdings may accept in writing as a result of and/or in connection with the Acquisition Agreement and FT Holdings not being considered by the Stock Exchange as an applicant for new listing as a result of or in connection with the transactions contemplated in the Acquisition Agreement;
- (h) the Executive granting the Whitewash Waiver subject to the usual conditions and such conditions (if any) having been satisfied (including the approval of the Whitewash Waiver by the Independent FT Shareholders by way of poll at the FT SGM);
- (i) the settlement in full of all outstanding non-trading accounts owing by the Remaining Group to Dongguan Hua Yi, Hua Yi and Wah Yeung (for the avoidance of doubt, the trading accounts between them will be settled in accordance with the terms of the relevant contracts); and
- (j) all other necessary waivers, consents and approvals (if required) from the relevant governmental or regulatory authorities in Hong Kong and Bermuda required for the Acquisition Agreement and the transactions contemplated herein being obtained.

Condition (a) may be waived by the Company, and conditions (b), (c) and (i) may be waived by FT Holdings. The Company has no intention to waive any of the aforesaid conditions. All the remaining conditions are not waivable. Accordingly, if the Whitewash Waiver is not granted, the Acquisition Agreement will lapse. As at the Latest Practicable Date, conditions (a), (b) and (c) have been fulfilled.

In the event that any of the above conditions is not fulfilled or waived on or before 15 July 2004 (or such other date as the parties may agree), the Acquisition Agreement shall be null and void and of no effect except for antecedent breaches.

As regards conditions (a) and (b), the Acquisition Agreement does not specify any reference date at which the financial position of the FT Group and Dongguan Hua Yi, Hua Yi and Wah Yeung are to be reviewed and the valuation are to be made. It is the understanding of FT Holdings and the Company that the reference date(s) refer to date(s) after the date of the Acquisition Agreement.

The unaudited management accounts of each of Dongguan Hua Yi, Hua Yi and Wah Yeung as at 30 September 2003 referred to in condition (b) above are their latest accounts which were made available to and accepted by FT Holdings prior to the signing of the Acquisition Agreement for the purpose of the financial due diligence by FT Holdings. Based on the audited financial information of the companies comprising the Copper Group as at 31 March 2004, the amounts due by the Remaining Group to the Copper Group referred to in condition (i) above amounted to approximately HK\$87.1 million, of which approximately HK\$64.4 million were non-trading balances and HK\$22.7 million were trading balances.

## LETTER FROM THE BOARD

### Completion:

Completion shall take place on the third business day after the date on which the Company is being notified by FT Holdings that all the conditions precedent to the Acquisition Agreement have either been fulfilled or waived (or such other date as the parties to the Acquisition Agreement may agree).

### INFORMATION ON THE COPPER GROUP

The principal business of the Copper Group is the manufacture and trading of copper rods and related products in the PRC and Hong Kong. The production facilities owned by the Group for the use of the copper rod manufacturing business are located in Dongguan, the PRC, which commenced operations in 1998. Products manufactured and sold by the Copper Group include principally copper rods of various diameters and copper wires with tinsel, enamel or tin coating. The Copper Group currently employs over 400 staff and has an annual production capacity of approximately 60,000 metric tons of copper rod. The production facilities of the Copper Group are equipped with fully-automated production and testing equipment imported from the United States and Europe. The Copper Group sources its raw materials from major copper mines in Chile, Australia and Russia. Products manufactured by the Copper Group are mainly sold to manufacturers in the PRC and Hong Kong of electrical appliances and components as raw materials for cable and wires.

The following is a summary of the Copper Group's audited results for the three years ended 31 March 2004:

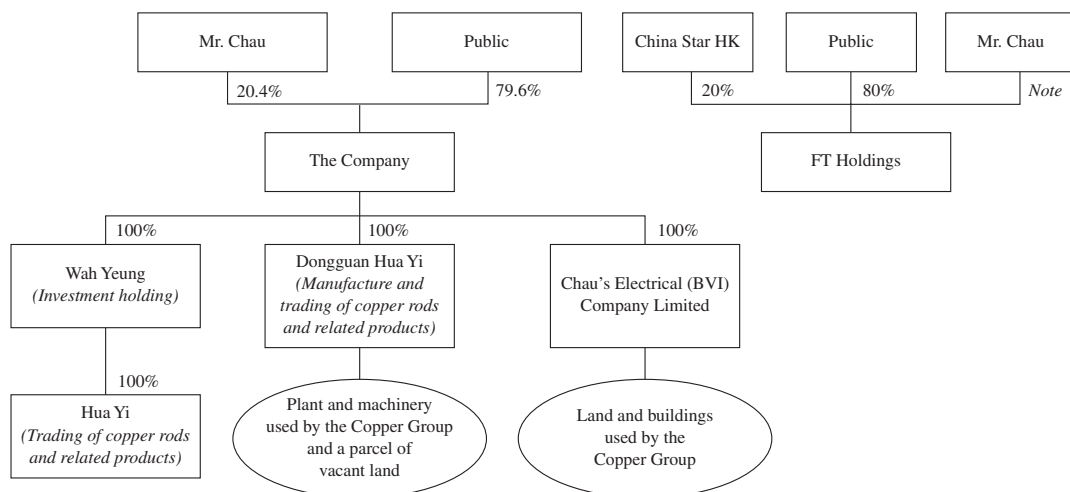
	Year ended 31 March		
	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) before tax	(15,296)	9,322	29,981
Profit (loss) after tax	(16,896)	7,961	26,006

The audited consolidated net tangible assets of the Copper Group was approximately HK\$232.1 million as at 31 March 2004.

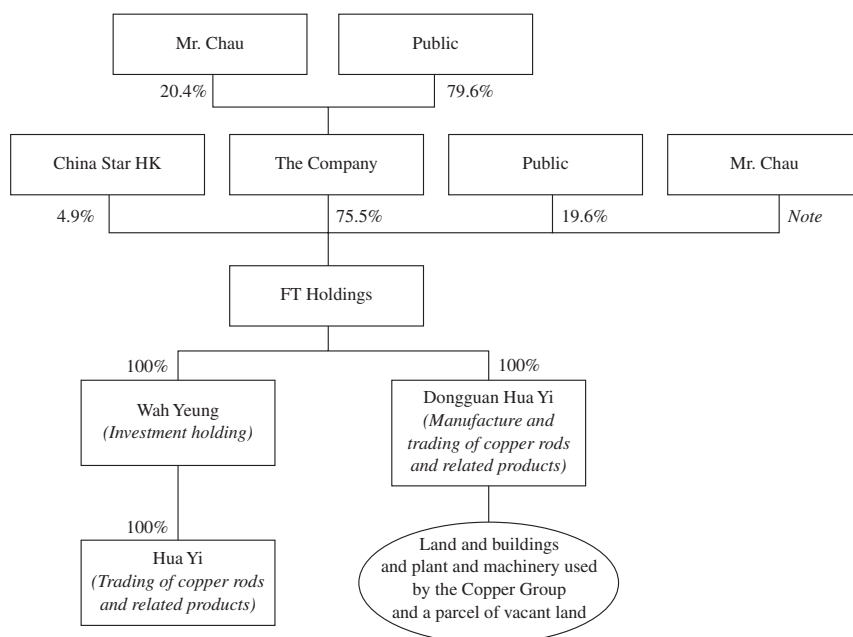
# LETTER FROM THE BOARD

The following sets out the structure of the Copper Group (with all intermediate holding companies omitted for simplicity):

## Before Completion



## Immediately after Completion



*Note:* Mr. Chau is beneficially interested in 1,000,000 FT Shares, representing approximately 0.04% of the existing issued share capital of FT Holdings and approximately 0.01% of the enlarged issued share capital of FT Holdings upon Completion.

## INFORMATION ON THE GROUP

### Business overview

The Group is principally engaged in the manufacture and trading of cables and wires, copper rods, connectors and terminals. The principal markets of the Group's products are the PRC (including Hong Kong) and North America.

## LETTER FROM THE BOARD

### Financial and trading prospects

For the year ended 31 March 2002, the Group reported an audited consolidated loss before tax and minority interest of approximately HK\$74.2 million and loss after tax and minority interests of approximately HK\$79.5 million. The Group recorded an audited consolidated profit before tax and minority interests of approximately HK\$17.0 million and profit after tax and minority interests of approximately HK\$9.8 million for the year ended 31 March 2003. The unaudited results of the Group as disclosed in its interim report for the six months ended 30 September 2003 showed a consolidated net loss before tax and minority interests of approximately HK\$54.2 million and a consolidated net loss after tax and minority interests of approximately HK\$56.9 million.

The Group has audited consolidated net asset value of approximately HK\$772.8 million as at 31 March 2003 (as restated in the 2003 interim report) and unaudited consolidated net asset value of approximately HK\$798.1 million as at 30 September 2003 as disclosed in its interim report for the six months ended 30 September 2003.

Owing to the low interest rate policy of the United States and an increase in non-recurring family income coupled with a strong economic growth in the PRC, the demand for electronic products has been growing steadily. In view of the keen competition in the cable and wire sector, the Group intends to build another plant in the Jiangsu Province of the PRC, in a bid to expand the existing cable and wire business and to develop the copper rod business in the northern region of the PRC. In addition to satisfying the demand in northern region of the PRC, this plan is also in line with the Group's strategy of enhancing the economies of scale of its production. Apart from the above, the management of the Group are also determined to focus on the research and development of copper rods and connectors and terminals, and will continue to identify new markets and clients for these businesses.

Looking forward, the business environment will continue to be difficult with intense competition. The Group anticipates that its clients in the cable and wire sector will continue to request for reduction in both price and production lead time. To maintain competitiveness and to establish a leading position in production efficiency, the management of the Group will continue to emphasis on cost control, enhancement of production efficiency, improvement in procurement, and the research and development of new products. The Group endeavors to improve its established relationships with suppliers and clients.

Leveraging on the Group's strengths and experience and by focusing on its core business, the Group is confident to further increase the market share of its products, thus laying a solid foundation for the Group to create value for its investors and shareholders in terms of improving financial performance.

### INFORMATION ON THE FT GROUP

The FT Group is principally engaged in the (i) design, manufacture and sale of life-like plants; (ii) production, acquisition and distribution of television programmes and the provision of related multi-media services; and (iii) sale of festival gift products through an internet portal.

## LETTER FROM THE BOARD

For the year ended 31 December 2002, the FT Group reported an audited consolidated loss before tax and minority interests of approximately HK\$83.8 million and loss after tax and minority interests of approximately HK\$82.3 million. For the year ended 31 December 2003, the FT Group reported an audited consolidated loss before and after tax and minority interests of approximately HK\$63.9 million.

The FT Group has audited consolidated net asset value and audited consolidated net tangible asset value of approximately HK\$107.8 million and HK\$100.8 million respectively as at 31 December 2002, and audited consolidated net asset value and audited consolidated net tangible asset value of approximately HK\$132.2 million and HK\$131.2 million respectively as at 31 December 2003.

### TAKEOVERS CODE IMPLICATIONS OF THE TRANSACTION

The following table sets out the shareholding structure of FT Holdings before and after the Transaction, based on the issued share capital of FT Holdings as at the Latest Practicable Date:

	<b>Before Completion</b>		<b>After Completion</b>	
	<b>Number of FT Shares</b>	<b>%</b>	<b>Number of FT Shares</b>	<b>%</b>
China Star HK ( <i>Note 1</i> )	518,250,000	20.0	518,250,000	4.9
The Company	–	–	8,000,000,000	75.5
Mr. Chau ( <i>Note 2</i> )	1,000,000	–	1,000,000	–
Other public FT Shareholders	<u>2,072,000,000</u>	<u>80.0</u>	<u>2,072,000,000</u>	<u>19.6</u>
	<u><u>2,591,250,000</u></u>	<u><u>100.0</u></u>	<u><u>10,591,250,000</u></u>	<u><u>100.0</u></u>

*Notes:*

1. After Completion, China Star HK's shareholding in FT Holdings will be diluted to 4.9% and will therefore not be a connected person of FT Holdings as defined in the Listing Rules.
2. Mr. Chau is the Chairman and Managing Director of the Company and is therefore presumed to be acting in concert with the Company.

Immediately upon Completion and assuming no change in the shareholding structure of FT Holdings prior thereto, the Company and parties acting in concert with it will become interested in approximately 75.5% of the issued share capital of FT Holdings as enlarged by the issue of the Consideration Shares. In the absence of the Whitewash Waiver, the Company will be required under Rule 26 of the Takeovers Code to make a general offer for all the issued FT Shares not already owned or controlled or agreed to be acquired by the Company and the parties acting in concert with it. The Company has made an application to the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code for the Whitewash Waiver, the grant of which will be subject to the approval of the Independent FT Shareholders by way of poll at the FT SGM.

## LETTER FROM THE BOARD

Mr. Chau is beneficially interested in 1,000,000 FT Shares (representing approximately 0.04% of the existing issued FT Shares and 0.01% of the issued share capital of FT Holdings as enlarged by the issue of the Consideration Shares) which were acquired more than six months prior to the date of the Announcement. Save as aforesaid and other than pursuant to the Acquisition Agreement, neither Solartech, Mr. Chau nor any parties acting in concert with any of them was interested in any FT Shares, options, warrants, derivatives or securities of FT Holdings convertible into FT Shares as at the Latest Practicable Date, nor had they dealt in the FT Shares during the six months prior to the date of the Announcement. Mr. Chau, its concert parties and their respective associates shall abstain from voting on the proposed resolutions to approve the Transaction and the Whitewash Waiver at the FT SGM.

The grant of the Whitewash Waiver from the Executive is one of the conditions precedent to the Acquisition Agreement which is not waivable. If the Whitewash Waiver is granted and the accompanying conditions (if granted conditionally) are duly satisfied, the Company will not be required to make a general offer to FT Shareholders under Rule 26 of the Takeovers Code as a result of the issue and allotment of the Consideration Shares.

Upon Completion, the Company and the parties acting in concert with it will hold more than 50% of the enlarged issued share capital of FT Holdings. Thereafter, so long as the minimum 25% public float requirement of the Listing Rules is observed, the Company may purchase and/or subscribe for additional FT Shares without triggering further obligation to make a mandatory general offer under the Takeovers Code.

### **FINANCIAL EFFECTS OF THE TRANSACTION ON THE GROUP**

#### **Earnings**

Based on the audited financial statements of the Copper Group as at 31 March 2004 and in accordance with the generally accepted accounting principles in Hong Kong, the Transaction is expected to give rise to a loss on disposal of HK\$4.5 million. This loss on disposal is mainly due to the potential tax liabilities arising from the transfer of fixed assets to the Copper Group at the amount of valuation.

#### **Net tangible asset value**

As shown in the proforma statement of unaudited adjusted net tangible asset value of the Group set out in Appendix II to this circular, the net tangible asset value before and after Completion is HK\$3.01 per Share.

#### **Gearing**

Based on the unaudited total borrowings of the Group (comprising the Group's obligations under finance leases and borrowings) and shareholders' equity (represented by the amount of net assets) as disclosed in the interim report of the Company for the six months ended 30 September 2003, the gearing ratio of the Group as at 30 September 2003 was 36.2%. On the assumption that Completion took place on 31 March 2003 and based on the total liabilities (comprising the Group's obligations under finance leases and borrowings) and shareholders' equity (represented by the amount of net assets) as shown in the proforma combined assets and liabilities of the Group after Completion set out in Appendix II to this circular, the gearing ratio of the Group would be slightly increased to 37.4%.

## LETTER FROM THE BOARD

### REASONS FOR AND BENEFITS OF THE TRANSACTION

The Copper Group has had satisfactory performance in recent years. Leveraging on its advanced production facilities imported from the United States and Europe, the high standard in production management and the outstanding product quality, the Board considers that the Copper Group will continue to maintain its competitive niche among local manufacturers in the PRC and is optimistic about the long term prospects of the Copper Group.

Although the Transaction would result in a loss on disposal of approximately HK\$4.5 million, it is mainly due to the non-recurring potential tax liabilities of approximately HK\$21.1 million arising from the transfer of fixed assets to the Copper Group at the amount of their valuation. The net tangible asset value before and after the Completion will remain at HK\$3.01 per Share and the gearing of the Group would only increase slightly by 1.2% to 37.4%. The Company believes that the injection of the business of manufacture and trading of copper rod and related products carried on by the Copper Group into a separate listed company would enable the Copper Group to have its own fund raising capability that is separated from that of the Remaining Group. The Board considers that the Transaction represents an opportunity for the Group to realise its investment in the Copper Group at a reasonable price and at the same time enables the Group to retain a controlling interest in and continue to share the results of the Copper Group through its shareholding in FT Holdings. The Board is of the view that the Transaction is in the interests of the Company and the Shareholders as a whole.

### INTENTIONS OF THE COMPANY AND FT HOLDINGS

It is the intention of the Company that the FT Group will continue with its existing businesses and to carry on the business of the Copper Group after Completion. Save for the proposed injection of the Copper Group in the FT Group, the Company has no intention of further injecting any assets or businesses into the FT Group or re-deploying or disposing of any of the assets of the FT Group other than in the ordinary course of business.

After Completion, the entire business relating to the manufacture and trading of copper rod of the Group will be transferred to the FT Group. The Remaining Group will focus on the manufacture and trading of cable and wires, connectors and terminals and other chemical products and will not directly engage in the manufacture and trading of copper rods or any other similar business which would compete with the FT Group. As disclosed in the annual report of the Company for the year ended 31 March 2003, the external sales of the business relating to cables and wires segment and connectors and terminals segment were approximately HK\$597 million and HK\$82 million respectively, and their results were approximately HK\$32.8 million and HK\$7.9 million respectively. The aggregate amount of the aforesaid external sales represents approximately 71.8% of the Group's turnover for the year ended 31 March 2003. The aggregate amount of the aforesaid segment results represents approximately 76.1% of the Group's consolidated results for the year ended 31 March 2003. The net assets of the cables and wires segment and the connectors and terminals segment amounted to approximately HK\$543.2 million and HK\$29.9 million respectively. The aggregate amount of the net assets of the aforesaid business segments represents approximately 77.9% of the Group's net asset value as at 31 March 2003.



## LETTER FROM THE BOARD

Prior to the Acquisition Agreement, the Copper Group has from time to time supplied its copper rod and related products to the Remaining Group. For each of the three years ended 31 March 2002, 2003 and 2004, sales of copper rods and related products by the Copper Group to the Remaining Group amounted to approximately HK\$128 million, HK\$124 million and HK\$152 million respectively. Moreover, each of the Copper Group and the Remaining Group has provided corporate guarantee for banking facilities used by both parties. It is expected that the Copper Group will continue to supply copper rods and related products to the Remaining Group after Completion. The Group has been in negotiation with its bankers to reorganise the banking facilities of the Copper Group and the Remaining Group and it is expected that the aforesaid corporate guarantee for the banking facilities will continue for an interim period after Completion. As each of the companies of the Copper Group will become indirect non wholly-owned subsidiaries of the Company after Completion, the sale and purchase of copper rods and related products will constitute ongoing connected transactions for the FT Group and the corporate guarantee for banking facilities will constitute financial assistance to connected persons for the FT Group and be subject to the relevant announcement, reporting and shareholders' approval requirements under the Listing Rules. The Board will ensure full compliance with the relevant requirements of the Listing Rules should the Copper Group continue its trading relationship and bank facilities arrangements with the Remaining Group after Completion.

Upon Completion, it is the intention of the Company to appoint Mr. Chau Lai Him, Mr. Zhou Jin Hua, Mr. Lau Man Tak, Ronald, Mr. Liu Jin Rong, being executive directors of Solartech, and Mr. Hui Chun Lam, Eric, the assistant accounting manager of the Company, as new directors of FT Holdings. As at the Latest Practicable Date, there is no agreement or understanding or indication that any director of FT Holdings will resign after Completion. Save as aforesaid, the Company does not intend to effect any changes to the FT Board, the management and employees of both the FT Group and the Copper Group by reason only of the Acquisition Agreement. The operations of the Copper Group will continue to be managed by the existing management of the Copper Group.

The qualification and experience of the aforesaid candidates of new directors of FT Holdings are as follows:—

Mr. Chau Lai Him, aged 52, is the Chairman and Managing Director of the Company and the founder of the Group. He is responsible for the overall management, strategic planning and business development of the Group. He has more than 25 years' experience in the manufacturing of cable and wire products.

Mr. Zhou Jin Hua, aged 46, joined the Group in 1986 and is the Deputy Chairman of the Group and the general manager of the Group's Dongguan manufacturing facilities. He is responsible for the day-to-day operations of the Group's Dongguan manufacturing facilities including production, sales and marketing and business development. He has more than 15 years' experience in the manufacturing of cable and wire products.

Mr. Lau Man Tak, Ronald, aged 35, joined the Group in November 2001 and is the Finance Director and Company Secretary of the Group. He is responsible for the overall management of the Group's financial matters. He holds a bachelor's degree in Accountancy from the Hong Kong Polytechnic University and has more than 10 years' corporate finance, accounting and auditing

## LETTER FROM THE BOARD

experience. He is a fellow member of The Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Society of Accountants. He is also a member of the Hong Kong Securities Institute.

Mr. Liu Jin Rong, aged 30, joined the Group in 1998 and is the Administration Manager of Qiaozhi Chau's Electrical Company Limited, a non wholly-owned subsidiary of the Group. He has more than 5 years' experience in human resources management in PRC. Mr. Liu is the son-in-law of the sister of Mr. Chau.

Mr. Hui Chun Lam, Eric, aged 31, rejoined the Group in August 2001 and is the Assistant Accounting Manager of Group. He holds a bachelor's degree in business, major in accounting, from the Edith Cowan University in Australia. He is a member of certified practicing accountant of CPA Australia and an associate member of the Hong Kong Society of Accountants. He has more than 7 years' experience of auditing and accounting.

### MAINTAINING THE LISTING OF FT HOLDINGS

Immediately after the issue of the Consideration Shares at Completion, Solartech and parties acting in concert with it will hold approximately 75.5% of FT Holdings' issued share capital as enlarged by the issue and allotment of the Consideration Shares. Accordingly, in the absence of other changes in shareholding in FT Holdings, FT Holdings will become a subsidiary of Solartech immediately after Completion.

It is the intention of the Company to maintain the listing of the FT Shares on the Stock Exchange after Completion. Accordingly, the Company, FT Holdings and their respective directors have undertaken to the Stock Exchange to take appropriate steps following Completion to ensure that, as soon as possible following issuance of the Consideration Shares upon Completion, 25% of the FT Shares are in the hands of the public in compliance with the Listing Rules.

**The Stock Exchange has stated that if, at the date of Completion, less than 25% of the FT Shares are held by the public or if the Stock Exchange believes that:**

- **a false market exists or may exist in the trading in the FT Shares; or**
- **there are too few FT Shares in public hands to maintain an orderly market,**

**then it will consider exercising its discretion to suspend trading in the FT Shares until a sufficient public float is attained. In this connection, it should be noted that upon Completion, there may be insufficient public float for the FT Shares and therefore trading in the FT Shares may be suspended until a sufficient level of public float is attained.**

## LETTER FROM THE BOARD

If FT Holdings remains a listed company, the Stock Exchange will closely monitor all future acquisitions or disposals of assets by FT Holdings. The Stock Exchange has indicated that it has the discretion to require FT Holdings to issue an announcement and a circular to the FT Shareholders irrespective of the size of the proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of FT Holdings. The Stock Exchange also has the power, pursuant to the Listing Rules, to aggregate a series of transactions of FT Holdings and any such transactions may result in FT Holdings being treated as if it were a new listing applicant as set out in the Listing Rules.

### SGM

A notice of the SGM to be held at 9:00 a.m. on 30 June 2004 at No. 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong is set out on pages 31 to 32 of this circular for the purpose to consider and, if thought fit, to approve the Transaction by way of poll.

Mr. Chau, Chairman and Managing Director of the Company, is beneficially interested in 1,000,000 FT Shares (representing approximately 0.04% of the issued FT Shares as at the Latest Practicable Date and 0.01% of the issued share capital of FT Holdings as enlarged by the issue of the Consideration Shares). In addition, Mr. Ng Tak Chak, Nelson, the Chairman and an executive director of FT Holdings, is beneficially interested in 7,000,000 Shares, representing approximately 2.6% of the issued share capital of the Company as at the Latest Practicable Date. In view of the aforesaid, Mr. Chau, Mr. Ng Tak Chak, Nelson and their respective associates will not be allowed to vote at the SGM.

Mr. Lei Hong Wai, an executive director of FT Holdings, is a representative in the FT Board appointed by China Star HK. Other than Mr. Lei, China Star HK has no other representative in the FT Board. Save as aforesaid and the substantial shareholding interest of China Star HK in FT Holdings prior to Completion, China Star HK has no other connection with FT Holdings. China Star HK, its concert parties and their associates shall abstain from voting on the proposed resolution to approve the Transaction and the Whitewash Waiver at the FT SGM.

There is a form of proxy for use at the SGM accompanying this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company at No. 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

### RECOMMENDATION

The Board considers that the terms of the Transaction are fair and reasonable and the Transaction is in the interests of the Company and the Shareholders as a whole. The Board therefore recommends the Independent Shareholders to vote in favour of the resolution to approve the Transaction at the SGM .

## LETTER FROM THE BOARD

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this circular.

Yours faithfully,  
for and on behalf of the Board  
**Solartech International Holdings Limited**  
**Chau Lai Him**  
*Chairman and Managing Director*

*The following is the text of the valuation letter received from LCH (Asia-Pacific) Surveyors Limited, an independent valuer, prepared for the purpose of inclusion in this document:*



利駿行測量師有限公司  
**LCH (Asia-Pacific)** Surveyors Limited  
CHARTERED SURVEYORS  
PLANT AND MACHINERY VALUERS  
BUSINESS & FINANCIAL SERVICES VALUERS

27th Floor  
Li Dong Building  
No. 9 Li Yuen Street East  
Central  
Hong Kong

14 June 2004

The Directors  
Solartech International Holdings Limited  
Unit 7, 2nd Floor, Kingsford Industrial Centre  
13 Wang Hoi Road  
Kowloon Bay  
Kowloon  
Hong Kong

Dear Sirs,

With reference to your instructions to value certain designated plant and machinery (“subject assets”) presented to us as those held by Solartech International Holdings Limited and its subsidiary, Dongguan Hua Yi Brass Products Co., Ltd. (together referred to as the “Group”), located in Dongguan, Guangdong Province of the People’s Republic of China (“China”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of their fair market values in continued use as at 31 March 2004.

We understand that this valuation summary letter will be used for inclusion in a major transaction circular to be issued by the Group in connection with, among others, the proposed disposal of the subject assets to a third party.

This valuation summary letter forms part of our detailed valuation report dated 14 June 2004 which comprises:

- A narrative section which identifies the subject assets, the scope and character of our investigation; the premise of the value adopted; the valuation process employed and the opinion of the value;
- A list of the subject assets with brief description and the appraised value for each item or group of items;
- Limiting conditions and general assumptions; and
- A certification from the professionals involved in the valuation.

**DESCRIPTION OF THE SUBJECT ASSETS**

The subject assets are being used by the Group in manufacturing 8 millimeter (“mm”) diameter low oxygen copper rods, 2.6 mm diameter copper wires, and various specifications of annealed copper wires, bare stranded copper wires, tin-coated copper wires, and enamel coated copper wires.

*Southwire Company model SCR2100 Continuous Copper Rod System*

In manufacturing 8 mm diameter low oxygen copper rods, the Group utilises a model SCR 2100 continuous copper rod system designed and built by Southwire Company of the United States of America. It commenced operation in October 1998 and has a designed capacity of about 12 metric tons per hour.

*S.A.M.P. Twin-Wire Copper Rod Breakdown Line*

The Group utilises a twin-wire copper rod breakdown line designed and built by S.A.M.P. of Italy in manufacturing 2.6 mm diameter copper wires. It commenced operation in October 1998 and has a designed capacity of about 35,000 metric tons per year. It comprises a rod breakdown machine, 2-units dancers and 2-units static coilers.

*Miscellaneous Machinery and Equipment*

There are over 300 various equipment for the manufacture of various types and specifications of copper wires comprising wire drawing machines, wire stranding machines, wire winding machines, wire enamelling machines and wire coating machines. These machines were acquired from early 1990s to 2003 and are mostly made in China and Taiwan.

Other assets included in the valuation comprise various laboratory and testing equipment, forklifts, overhead travelling cranes and various facilities for the supply of liquid propane gas, electricity and water.

**EXCLUSIONS**

We have excluded from our valuation all other type of assets such as real estate assets, office furniture, fixtures and fittings, spare parts, supplies, inventories, materials on hand, and all other tangible assets that are current in nature and intangible assets that might exist.

**BASIS OF VALUATION**

We have valued the subject assets on the basis of fair market value in continued use which is defined as:

“the estimated amount in terms of money that may be reasonably expected for assets in exchange between a willing buyer and a willing seller with equity to both, neither being under any compulsion to sell or buy, both fully aware of all relevant facts and including installation, as of an appraisal date, and assuming that the earnings support the value reported.”

Under the premise of continued use, the opinion of fair market value assumes operation of the subject assets in its present location for continuation of the existing business.

This opinion of value is not related to the earning capacity of the business. It assumes that prospective earnings would provide a reasonable return to the plant and machinery valued, plus the value of other assets not included in this valuation and adequate working capital.

**VALUATION METHODOLOGY**

There are three generally accepted approaches to value, namely:

**The Cost Approach**

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets including costs of transportation, installation, commissioning and consultants' fees. Adjustment is then made for accrued depreciation from physical deterioration, condition, utility, age and functional and economic/external obsolescence.

**The Market Approach**

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative.

**The Income Approach**

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to investment properties, general-use properties where there is an established and identifiable rental market or to an aggregation of assets in an entire business enterprise including working capital and tangible and intangible assets.

In all situations, all approaches to value must be considered, as one or more may be applicable to the subject assets. In some situations, elements of the three approaches may be combined to reach a value conclusion. However, the relative strength, applicability, and significance of the approaches and their resulting values must be analyzed and reconciled.

## **VALUATION ANALYSIS**

In conducting our valuation, we considered the three approaches to valuation and found the cost and market approaches as the most appropriate. The income approach was found inappropriate due to the unavailability of discrete financial data relating to the subject assets.

During our valuation, we conducted a physical inspection of the subject assets, gathered relevant accounting and financial information, contacted the manufacturers and local agents, investigated market conditions and interviewed relevant factory personnel to establish the condition, usage, maintenance and plant operation.

In using the cost approach, we estimated the gross current replacement cost of the subject assets taking into consideration the basic equipment cost and other associated costs such as freight and handling, installation, design and engineering fees, and contractor's fees and overhead.

The replacement costs developed above were depreciated based on expected or normal operating lives of between 5 years to 15 years for various laboratory and testing equipment, various wire manufacturing equipment and facilities equipment. We have used between 20 to 30 years life for the twin-wire copper rod breakdown line and continuous copper rod system as suggested by the equipment manufacturers.

Adjustment for existing condition based on our physical inspection and allowances for obsolescence and betterment due to improvements made to currently available equipment were also considered to arrive at the depreciated replacement cost which was then taken to be the fair market value in continued use using the cost approach.

Since the assets listed under miscellaneous machinery and equipment comprise of China and Taiwan made equipment with no available used market price information and specially designed facilities, the cost approach was used as the main valuation approach in valuing these assets.

We have also used the market approach in valuing the twin-wire copper rod breakdown line and continuous copper rod system. In using the market approach, we analyzed the used market of similar equipment and made necessary adjustments to reflect the difference in location, origin, age, condition and utility between the subject assets and their used market comparable.

We arrived at values ranging from HK\$55,000,000 and HK\$48,000,000 using the cost and market approaches, respectively, for the continuous copper rod system and HK\$5,000,000 and HK\$4,000,000, respectively, for twin-wire copper rod breakdown line. Since these assets are substantially new (about 5 year old) compared to the used market comparable (about 20 years old), in this instance, we have adopted the values using the cost approach, without adjustment, as their fair market value in continued use.



**VALUATION COMMENTS**

We reviewed historical accounting records, technical specifications and other documents relating to the subject assets. Though we have not carried out an independent investigation of the said information, we found no reason not to rely to a considerable extent on such information in arriving at our opinion of value.

For reference purposes, we have used the exchange rate of RMB1.06 per HK\$1 which is the prevailing rate as at 31 March 2004.

We confirm that we have no present or contemplated future interest in the subject assets or any other interests that may prevent our having arrived at a fair and unbiased assessment of value.

No deduction has been made in our valuation in respect of any outstanding amounts owing under any finance lease or hire purchase agreement. The assets have been valued as being wholly owned and free of all encumbrances. We have not investigated the titles to or any liabilities affecting the subject assets.

According to the information prepared by the management of the Group, the potential tax liability which would arise if the assets were to be sold at the amount of the valuation is estimated to be HK\$7.5 million. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability.

This valuation is concerned solely with the value of the subject assets and our opinion of value is not related to or dependent upon the earning capacity of the business. We did not attempt to arrive at the value of the factory as a total business entity.

This report has been made in conformity with the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

**OPINION OF VALUE**

Based on the above, we are of the opinion that as at 31 March 2004 the appraised fair market value in continued use of the subject assets was reasonably represented by the amount of **HK\$93,300,000 (HONG KONG DOLLARS NINETY THREE MILLION AND THREE HUNDRED THOUSAND ONLY)**. This is broken down into:

<b>Description</b>	<b>Fair Market Value in Continued Use (HK\$)</b>
Southwire Company model SCR 2100 Continuous Copper Rod System	55,000,000
S.A.M.P. Twin-Wire Copper Rod Breakdown Line	5,000,000
Miscellaneous Machinery and Equipment	<u>33,300,000</u>
Total:	<u><u>93,300,000</u></u>

Yours faithfully,  
for and on behalf of  
**LCH (Asia-Pacific) Surveyors Limited**  
**Rolando R. Arcaya** BSME, ASA  
*Director*

*Note:* Mr. Rolando R. Arcaya is a mechanical engineer and a senior accredited appraiser of the American Society of Appraisers in Machinery and Technical Specialties/Machinery and Equipment. He has over 20 years plant and machinery valuation experience of which over 15 years were spent in Hong Kong and mainland China.

### 1. PROFORMA COMBINED ASSETS AND LIABILITIES OF THE GROUP AFTER COMPLETION

The following table is an unaudited proforma statement of assets and liabilities of the enlarged Group after Completion based on the unaudited consolidated balance sheet of the Group as at 30 September 2003, as extracted from the unaudited interim report of the Group for the six months ended 30 September 2003, and audited consolidated balance sheet of FT Group as at 31 December 2003 with certain reclassifications:

	ST Group as at 30 September 2003 HK\$'000	FT Group as at 31 December 2003 HK\$'000	Proforma Combined Total HK\$'000	Adjustments HK\$'000	Notes	Proforma Combined Balances HK\$'000
<b>Non-current assets</b>						
Property, plant and equipment	459,909	78,774	538,683			538,683
Notes receivable	55,000	–	55,000			55,000
Other assets	16,614	–	16,614			16,614
Deferred development expenditure	–	991	991			991
Deferred tax assets	1,319	–	1,319			1,319
	<u>532,842</u>	<u>79,765</u>	<u>612,607</u>			<u>612,607</u>
<b>Current assets</b>						
Inventories	195,220	6,840	202,060			202,060
Television programmes and sub-licensing rights	–	14,799	14,799			14,799
Debtors, deposits and prepayments	294,941	15,679	310,620			310,620
Bills receivable	14,451	–	14,451			14,451
Pledged deposits	10,000	14,000	24,000			24,000
Bank balances and cash	196,482	48,510	244,992	24,000	2	268,992
	<u>711,094</u>	<u>99,828</u>	<u>810,922</u>			<u>834,922</u>

	ST Group as at 30 September 2003 HK\$'000	FT Group as at 31 December 2003 HK\$'000	Proforma Combined Total HK\$'000	Adjustments HK\$'000	Notes	Proforma Combined Balances HK\$'000
<b>Current liabilities</b>						
Creditors and accrued charges	105,843	21,520	127,363	27,100	3	154,463
Bills payable	16,779	–	16,779			16,779
Taxation	6,688	463	7,151			7,151
Obligations under finance leases	2,217	615	2,832			2,832
Borrowings – due within one year	284,140	22,863	307,003			307,003
	<u>415,667</u>	<u>45,461</u>	<u>461,128</u>			<u>488,228</u>
<b>Net current assets</b>	<u>295,427</u>	<u>54,367</u>	<u>349,794</u>			<u>346,694</u>
<b>Total assets less current liabilities</b>	<u>828,269</u>	<u>134,132</u>	<u>962,401</u>			<u>959,301</u>
<b>Non-current liabilities</b>						
Obligations under finance leases	2,726	238	2,964			2,964
Deferred taxation	10,348	900	11,248			11,248
Borrowings – due after one year	–	803	803			803
	<u>13,074</u>	<u>1,941</u>	<u>15,015</u>			<u>15,015</u>
<b>Minority interests</b>	<u>17,014</u>	<u>–</u>	<u>17,014</u>	89,009	4	<u>106,023</u>
<b>Net assets</b>	<u><u>798,181</u></u>	<u><u>132,191</u></u>	<u><u>930,372</u></u>			<u><u>838,263</u></u>

*Notes:*

1. The negative goodwill arising from the reverse acquisition amounting to approximately HK\$17,568,000 which will be credited to the income statement.
2. This represents the estimated net proceeds from the placing of new Shares in November 2003.
3. This represents the estimated potential tax liabilities of approximately HK\$21.1 million arising from the transfer of fixed assets from the Remaining Group to the Copper Group at the amount of their valuation and the estimated expenses of HK\$5 million and HK\$1 million for the Group and the FT Group respectively in connection with the Transaction.
4. This represents the effect of the 24.5% minority interest in FT Holdings upon completion of the Transaction.

## 2. PROFORMA STATEMENT OF UNAUDITED ADJUSTED NET TANGIBLE ASSET VALUE OF THE GROUP

The following proforma statement of unaudited adjusted net tangible asset value of the Group immediately following Completion is based on the audited consolidated net tangible asset value of the Group as at 31 March 2003 and adjusted as described below:

	<i>HK\$'000</i>
Audited consolidated net tangible asset value of the Group as at 31 March 2003 (as restated in the 2003 interim report)	772,838
Movements in exchange reserve and goodwill reserve	63,698
Unaudited consolidated loss of the Group for the six months ended 30 September 2003	(56,879)
Net proceeds from placing of new Shares in September 2003	<u>18,524</u>
Unaudited consolidated net tangible asset value of the Group as at 30 September 2003	798,181
Estimated net proceeds from placing of new Shares in November 2003	<u>24,000</u>
Net tangible asset value of the Group before Completion	822,181
<i>Less:</i> net tangible asset value of the Copper Group	(232,112)
estimated expenses relating to the Transaction for the Group	(5,000)
<i>Add:</i> proforma unaudited adjusted net tangible asset value of the FT Group (including the Copper Group) at Completion	368,822
<i>Less:</i> adjustment to the value of the plant and machinery of the Copper Group according to the valuation prepared by LCH (Asia-Pacific) Surveyors Limited	(21,309)
<i>Less:</i> net asset value of the FT Group (including the Copper Group) at Completion attributable to the 24.5% minority interest	(89,009)
<i>Less:</i> estimated potential tax liabilities in respect of the transfer of fixed assets from the Remaining Group to the Copper Group	<u>(21,100)</u>
Proforma unaudited adjusted net tangible asset value of the Group immediately following Completion	<u><u>822,473</u></u>
<b>Proforma unaudited adjusted net tangible asset value per Share immediately before Completion (based on 272,974,362 Shares in issue as at the Latest Practicable Date)</b>	<u><u>HK\$3.01</u></u>
<b>Proforma unaudited adjusted net tangible asset value per Share immediately following Completion (based on 272,974,362 Shares in issue as at the Latest Practicable Date)</b>	<u><u>HK\$3.01</u></u>

**3. INDEBTEDNESS**

At the close of business on 31 March 2004, being the latest practicable date prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$295.2 million, comprising unsecured bank overdrafts of approximately of HK\$0.2 million, secured short-term bank loans of approximately HK\$82.4 million, unsecured short-term bank loans of approximately HK\$18.7 million, secured trust receipt loans of approximately HK\$56.2 million, unsecured trust receipt loans of approximately HK\$78.9 million, secured invoice financing loans of approximately HK\$30.0 million, unsecured invoice financing loans of approximately HK\$25.2 million and obligations under finance leases of approximately HK\$3.6 million. Except for the long-term portion of obligations under finance leases of approximately HK\$1.9 million, all other borrowings are repayable within one year.

The Group's borrowings were secured by charges over certain property, plant and equipment of the Group with a net book value of approximately HK\$143.4 million, trade debtors of approximately HK\$16.5 million and pledged bank deposits of approximately HK\$45.6 million.

At the close of business on 31 March 2004, the Group had contingent liabilities of approximately HK\$389.7 million in respect of guarantees given to banks to secure general banking facilities granted to the Group.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade debts payable, neither the Company nor any companies comprising the Group after Completion had outstanding at the close of business on 31 March 2004 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance lease and hire purchase commitments, guarantees or other material contingent liabilities.

**4. MATERIAL ADVERSE CHANGE**

Except for the impairment loss recognised in respect of goodwill of the Group's associate amounted to HK\$63.7 million as stated in the Group's interim report for the six months ended 30 September 2003, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2003, the date to which the latest audited consolidated financial statements of the Group were made up.

**5. WORKING CAPITAL**

The Directors are of the opinion that, taking into account the present available banking facilities and cash balances of the Group, the Group has sufficient working capital for its present requirements.

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or the chief executives were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

#### Long position

Name of Director	Number of Shares held	% of issued share capital
Mr. Chau ( <i>Note</i> )	55,752,000	20.4

*Note:* 55,752,000 Shares are held by Chau's Family 1996 Limited which is wholly-owned by the Chau's Family 1996 Trust, a discretionary trust of which Mr. Chau is a discretionary object.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Company, none of the Directors or the chief executives of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executives were taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

**(b) Interests of substantial shareholders**

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, other than a Director or chief executive of the Company, the following person had interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

**Long position**

Name of Shareholder	Number of Shares held	% of issued share capital
Chau's Family 1996 Limited	55,752,000	20.4

*Notes:* Chau's Family 1996 Limited is wholly-owned by the Chau's Family 1996 Trust, a discretionary trust of which Mr. Chau is a discretionary object.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, other than a Director or chief executive of the Company, no persons had interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

**(c) Other interests**

LCH (Asia-Pacific) Surveyors Limited does not have any shareholdings in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date.

**3. LITIGATION**

As at the Latest Practicable Date, neither the Company nor other members of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

**4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any other member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation)).



**5. MATERIAL CONTRACTS**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the Latest Practicable Date and are or may be material:

- (a) a subscription agreement dated 8 September 2003 between the Company and Chau's Family 1996 Limited whereby Chau's Family 1996 Limited agreed to subscribe for 37.9 million new Shares which was equivalent to the number of Shares it sold under the placing agreement dated 8 September 2003;
- (b) a subscription agreement dated 20 November 2003 between the Company and Chau's Family 1996 Limited whereby Chau's Family 1996 Limited agreed to subscribe for 45.49 million new Shares which was equivalent to the number of Shares it sold under the placing agreement dated 20 November 2003; and
- (c) the Acquisition Agreement.

**6. INTERESTS IN CONTRACT OR ARRANGEMENT**

Save for Mr. Chau's interests in FT Holdings as disclosed under the paragraph headed "Takeovers Code implications of the Transaction" contained in the "Letter from the Board" of this circular, none of the Directors has any interests in contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group taken as a whole.

**7. INTERESTS IN ASSETS**

Save for Mr. Chau's interests in FT Holdings as disclosed under the paragraph headed "Takeovers Code implications of the Transaction" contained in the "Letter from the Board" of this circular, neither the Directors nor LCH (Asia-Pacific) Surveyors Limited has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2003, being the date to which the latest published audited accounts of the Company were made up.

**8. CONSENT**

LCH (Asia-Pacific) Surveyors Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which it appears.

**9. QUALIFICATION**

The valuation report in relation to the plant and machinery of the Copper Group as set out in appendix I to this circular is prepared by LCH (Asia-Pacific) Surveyors Limited, chartered surveyors.

**10. GENERAL**

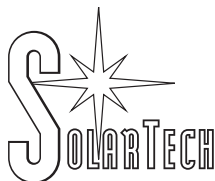
- (i) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.
- (ii) The head office and principal place of business of the Company is at No. 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.
- (iii) The secretary of the Company is Mr. Lau Man Tak, Ronald, who is a fellow member of The Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Society of Accountants. He is also a member of the Hong Kong Securities Institute.
- (iv) The Hong Kong branch share registrars and transfer office of the Company is Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (v) The English text of this circular shall prevail over the Chinese text.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the head office and principal place of business of the Company at No. 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong during normal business hours up to and including 30 June 2004:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the two years ended 31 March 2003;
- (c) the material contracts referred to in the paragraph headed “Material contracts” in this appendix;
- (d) the letter of consent from LCH (Asia-Pacific) Surveyors Limited referred to in the section headed “Consent” in this appendix;
- (e) the valuation report prepared by LCH (Asia-Pacific) Surveyors Limited in relation to the plant and machinery of the Copper Group which is set out in appendix I to this circular; and
- (f) the circular issued by FT Holdings on 14 June 2004 in relation to, among others, the Transaction.

# NOTICE OF SPECIAL GENERAL MEETING



## SOLARTECH INTERNATIONAL HOLDINGS LIMITED

榮盛科技國際控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

### NOTICE OF SPECIAL GENERAL MEETING

Notice is hereby given that a Special General Meeting of Solartech International Holdings Limited (the “Company”) will be held at 9:00 a.m. on 30 June 2004 at No. 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong, for the purpose of considering and, if thought fit, passing (with or without amendments) the following as an Ordinary Resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT** the conditional sale and purchase agreement dated 25 March 2004 (“Acquisition Agreement”) entered into between the Company as the vendor and FT Holdings International Limited (“FT Holdings”) as the purchaser, under which the Company conditionally agreed to dispose of and FT Holdings conditionally agreed to acquire the Sale Interests and the Sale Assets (in each case, as defined in the circular of the Company dated 14 June 2004 (“Circular”)) from the Company on the terms and conditions as set out in the Acquisition Agreement and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified and that any one of the directors of the Company be and is hereby authorised to do all such further acts and things and execute such further documents and take all steps which in his opinion may be necessary, desirable or expedient to implement and/or give effect to the Acquisition Agreement and the transactions contemplated thereunder with any changes as such Director may consider necessary, desirable or expedient”

By Order of the Board  
**Solartech International Holdings Limited**  
**Chau Lai Him**  
*Chairman and Managing Director*

Hong Kong, 14 June 2004

*Notes:*

- (i) The Resolution above is required to be passed by the Independent Shareholders of the Company (as defined in the Circular) by way of poll.
- (ii) A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.

\* *For identification only*

## NOTICE OF SPECIAL GENERAL MEETING

- (iii) Where there are joint registered holders of any share of the Company, any one such persons may vote at the meeting convened by the above notice, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
- (iv) In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the Company's principal place of business in Hong Kong at No. 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting.
- (v) Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.