THIS DOCUMENT 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 forms of proxy to the purchaser or 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.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

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
AND
VERY SUBSTANTIAL DISPOSAL
PROPOSED ACQUISITION BY
HUA YI COPPER HOLDINGS LIMITED
INVOLVING
ISSUE OF NEW SHARES IN HUA YI COPPER HOLDINGS LIMITED
AND
CALL OPTION TO SUBSCRIBE FOR NEW SHARES IN
HUA YI COPPER HOLDINGS LIMITED
AND
LOAN AGREEMENT

A letter from the board of directors of Solartech International Holdings Limited is set out on pages 6 to 23 of this circular.

A notice convening a special general meeting of Solartech International Holdings Limited to be held at 10:00 a.m. on 17 January 2008 at No. 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong is set out on pages SGM-1 to SGM-2 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.

* *for identification purpose only*

31 December 2007

CONTENTS

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

"Accounts Date"	30 September 2007
"Acquisition"	acquisition of the entire issued share capital in the Target Company by Hua Yi Copper from the Vendor pursuant to the Share Purchase Agreement
"Adjustment"	adjustment to the Consideration under the Share Purchase Agreement, particulars of which are set out in the paragraph headed "Adjustment to the Consideration"
"Announcement"	the announcement jointly made by Hua Yi Copper and Solartech dated 15 October 2007 in relation to the Acquisition
"Audited Accounts"	the audited consolidated balance sheet of the Target Group and the audited consolidated profit and loss accounts of the Target Group for the previous two years ended on the Accounts Date, assuming that RMB30,000,000, being the registered capital of Qingdao Hua Xin, has been paid up and the entire equity interest in Qingdao Hong Rui has been legally and effectively transferred to and is held by Qingdao Hua Xin
"Beijing Hua Hui"	北京華匯國際礦業投資開發有限公司 (Beijing Hua Hui International Mining Investment and Development Limited Company*), a company incorporated in the PRC on 23 May 2001
"Business Day"	any day (excluding Saturdays) on which banks generally are open for business in Hong Kong
"BVI"	the British Virgin Islands
"Call Option Agreement"	a call option agreement to be entered into at Completion between Hua Yi Copper and the Vendor in relation to the grant of an option by Hua Yi Copper to the Vendor to subscribe for the Option Shares
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Share Purchase Agreement

"Completion Accounts"	audited accounts to be prepared by accountants appointed by Hua Yi Copper up to the Completion Date in respect of the members of the Target Group
"Completion Date"	the date on which Completion takes place
"Consideration"	the consideration payable by Hua Yi Copper to the Vendor under the Share Purchase Agreement, the particulars of which are set out in the paragraph headed "Consideration"
"Consideration Shares"	100,000,000 Hua Yi Copper Shares to be allotted and issued to the Vendor at the Issue Price for the partial settlement of the Consideration pursuant to the terms of the Share Purchase Agreement
"Exercise Price"	HK$1.10 per Option Share
"Gu Shan Mine"	the iron-ore mine located in Gu Shan Village, Long Hua County, Chengde City, He Bei Province, the PRC, subject to the Mining Exploration Licence
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Dollar(s)" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hua Yi Copper"	Hua Yi Copper Holdings Limited, a company incorporated in Bermuda, the shares of which are listed one the main board of the Stock Exchange and a subsidiary of Solartech
"Hua Yi Copper Group"	Hua Yi Copper and its subsidiaries
"Hua Yi Copper SGM"	a special general meeting of Hua Yi Copper to be convened for the purpose of considering, and if thought fit, approving the issue of the Consideration Shares and the Option Shares by Hua Yi Copper
"Hua Yi Copper Shares"	shares of nominal value of HK$0.20 each in the capital of Hua Yi Copper
"HYC"	HYC Finance Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Hua Yi Copper

"Issue Price"	HK$1.10 per Share, being the issue price of the Consideration Shares
"Latest Practicable Date"	28 December 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan"	the loan in the amount of HK$30,000,000 made by HYC to Meyton Investment pursuant to the Loan Agreement
"Loan Agreement"	a loan agreement entered into between HYC, Meyton Investment and the Target Company on 7 October 2007 in respect of the Loan
"Long Hua Hua Hui"	隆化華匯鑫福礦業有限公司 (Long Hua Hua Hui Xin Fu Mining Industry Limited Company*), a company incorporated in the PRC on 30 August 2005
"Long Hua Long Xin"	承德劍峰礦業集團隆化隆鑫礦業有限公司(Chengde Jianfeng Mining Industry Group Long Hua Long Xin Mining Industry Limited Company*), a company incorporated in the PRC on 3 March 2004, with registered capital of RMB5 million
"Meyton Investment"	Meyton Investment Limited, a company incorporated in Hong Kong on 8 August 2007, and wholly-owned by the Target Company
"Mineral Resources"	mineral resources containing iron-ore and comprising other chemicals, including titanium and vanadium in the Gu Shan Mine and/or Zhong Guan Town Mine (as the case may be)
"Mining Exploration Licence"	The mining exploration licence currently held by Mr. Zhao Guofu in respect of Gu Shan Mine (No. 1300000510386)
"Mining Licence"	the mining licence held by Long Hua Long Xin in respect of Zhong Guan Town Mine (No. 1308000520160)

"Mr. Zhao Guofu"	Zhao Guofu, a PRC resident, being the registered holder of the Mining Exploration Licence
"Ms. Xie Zhimin"	Xie Zhimin, a PRC resident, being the sole beneficial owner of the Vendor
"Option Period"	a period of five years from the Business Day immediately following the date of the Option Agreement
"Option Shares"	up to 50,000,000 Hua Yi Copper Shares to be allotted and issued to the Vendor by Hua Yi Copper pursuant to the Call Option Agreement
"PRC"	the People's Republic of China
"PRC WFOE"	a wholly-foreign-owned enterprise established in the PRC
"Prime Rate"	the best lending rate for HK$ quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time
"Qingdao Hong Rui"	青島鴻瑞礦業有限公司 (Qingdao Hong Rui Mining Industry Co., Ltd.*), a company incorporated in the PRC on 16 January 2006 and wholly-owned by Qingdao Hua Xin
"Qingdao Hua Xin"	青島華鑫礦業有限公司 (Qingdao Hua Xin Mining Industry Limited Company*), a company incorporated in the PRC on 18 September 2007 and wholly owned by Meyton Investment
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	shares representing the entire issued share capital of the Target Company to be acquired by Hua Yi Copper from the Vendor under the Share Purchase Agreement
"Share Charge"	a share charge document executed by the Target Company in favour of HYC pursuant to the Loan Agreement
"Share Purchase Agreement"	the conditional share purchase agreement dated 7 October 2007, a supplemental agreement dated 15 October 2007 and a supplemental agreement dated 15 December 2007 entered into between Hua Yi Copper and the Vendor in relation to the Acquisition

"Skywalk"	Skywalk Assets Management Limited, a company incorporated in the BVI, a controlling shareholder of Hua Yi Copper and a wholly-owned subsidiary of Solartech
"Solartech"	Solartech International Holdings Limited, a company incorporated in Bermuda and the ultimate controlling shareholder of Hua Yi Copper, the shares of which are listed on the main board of the Stock Exchange
"Solartech Group"	Solartech and its subsidiaries
"Solartech SGM"	a special general meeting of Solartech to be convened for the purpose of considering, and if thought fit, approving the Share Purchase Agreement and the transactions contemplated thereunder, by the shareholders of Solartech
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SRK"	SRK Consulting China Limited, the independent technical adviser
"Target Company"	Yeading Enterprises Limited, a limited liability company incorporated in the BVI, which is currently 100% owned by the Vendor
"Target Group"	the Target Company and its subsidiaries and proposed subsidiaries as at the date of Completion, comprising Meyton Investment, Qingdao Hua Xin, Qingdao Hong Rui, Long Hua Hua Hui and Long Hua Long Xin
"Target Mines"	the Gu Shan Mine and the Zhong Guan Town Mine
"Vendor"	Belleview Global Limited, a limited liability company incorporated in the BVI, which is 100% owned by Ms. Xie Zhimin (謝志敏)
"Zhong Guan Town Mine"	the iron-ore mine located in Bei Bao Zi Village, Zhong Guan Town, Long Hua County, Chengde City, He Bei Province, the PRC, subject to the Mining Licence

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)

Executive Directors:
Mr. Chau Lai Him
(Chairman and Managing Director)
Mr. Zhou Jin Hua *(Deputy Chairman)*
Mr. Liu Jin Rong
Mr. Chan Kwan Hung

Independent Non-Executive Directors:
Mr. Chung Kam Kwong
Mr. Lo Wai Ming
Mr. Lo Chao Ming

Principal place of business in Hong Kong:
No. 7, 2/F.
Kingsford Industrial Centre
13 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

31 December 2007

To the Shareholders:

Dear Sir and Madam,

**MAJOR TRANSACTION
AND
VERY SUBSTANTIAL DISPOSAL
PROPOSED ACQUISITION BY
HUA YI COPPER HOLDINGS LIMITED
INVOLVING
ISSUE OF NEW SHARES IN HUA YI COPPER HOLDINGS LIMITED
AND
CALL OPTION TO SUBSCRIBE FOR NEW SHARES IN
HUA YI COPPER HOLDINGS LIMITED
AND
LOAN AGREEMENT**

INTRODUCTION

Reference is made to the Announcement in which the boards of directors of Solartech and Hua Yi Copper jointly announced that on 7 October 2007 Hua Yi Copper entered into the Share Purchase Agreement with the Vendor in relation to the Acquisition. Under the

* *for identification purpose only*

Share Purchase Agreement, Hua Yi Copper has agreed to acquire the entire issued share capital of the Target Company from the Vendor for the Consideration, comprising (i) a cash amount of a Hong Kong Dollar equivalent of RMB55,000,000 payable by Hua Yi Copper at Completion subject to the Adjustment (if applicable); (ii) HK$110,000,000 payable by the issuance of the consideration Shares by Hua Yi Copper to the Vendor at Completion; and (iii) the grant by Hua Yi Copper to the Vendor of an option to subscribe for the Option Shares at the Exercise Price during the Option Period, fair value of which is approximately HK$35,000,000.

As at the date of signing of the Share Purchase Agreement, Solartech (through its interest in Skywalk) beneficially owns approximately 51.25% of the issued share capital of Hua Yi Copper. The beneficial interest of Solartech in the issued share capital of Hua Yi Copper will be reduced from approximately 51.25% to approximately 45.46% upon Completion. As a result, Hua Yi Copper will cease to be a subsidiary of Solartech upon Completion, and under Chapter 14 of the Listing Rules, the Acquisition constitutes a very substantial disposal. In addition, the Acquisition constitutes a major transaction for Solartech on the basis that the calculation of the size tests ration for Solartech is between the range of 25% and 100%.

On 7 October 2007, HYC, Meyton Investment and the Target Company entered into the Loan Agreement. Under the Loan Agreement, HYC agreed to lend to Meyton Investment HK$30,000,000, which shall be applied by Meyton Investment for the sole purpose of its contribution to the registered capital of Qingdao Hua Xin as required under the constitutional documents of Qingdao Hua Xin.

The purpose of this circular is to give you (i) further information of the Acquisition and the Loan Agreement; and (ii) notice of the Solartech SGM, at which the necessary resolutions will be proposed to the shareholders, to consider and, if thought fit, to approve the Share Purchase Agreement and the transactions contemplated thereunder.

SHARE PURCHASE AGREEMENT

Date

7 October 2007

Parties

(1) the Vendor; and

(2) Hua Yi Copper, as purchaser.

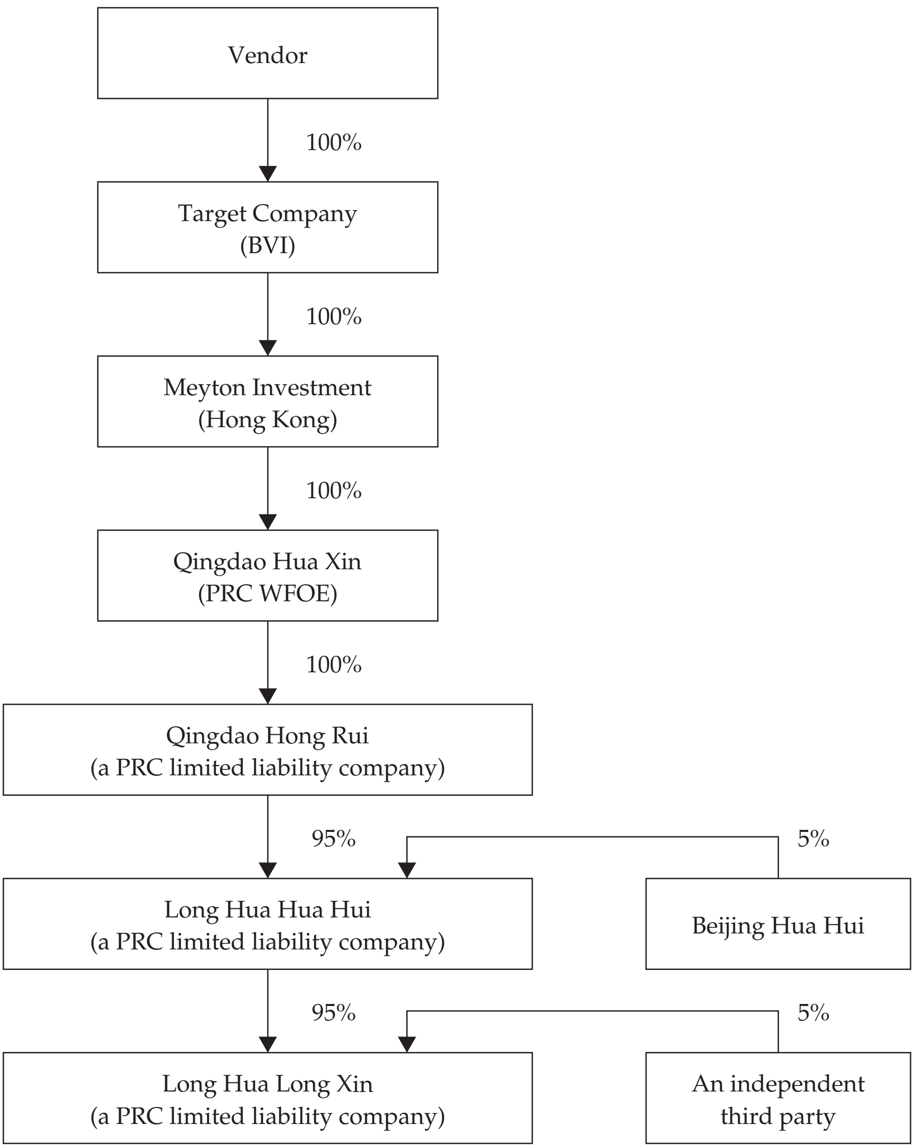
The Vendor is a company incorporated in the BVI and wholly-owned by Ms. Xie Zhimin (謝志敏). To the best of the knowledge, information and belief of the directors of each of Solartech and Hua Yi Copper, having made all reasonable enquiries, the Vendor and its beneficial owner are third parties who are independent of Solartech and Hua Yi Copper and their subsidiaries and connected persons of Solartech and Hua Yi Copper.

Subject Matter

At Completion, Hua Yi Copper will acquire the entire issued share capital in the Target Company held by the Vendor for the Consideration.

The Target Company is a holding company wholly-owned by the Vendor, which holds the entire issued share capital in Meyton Investment at the signing of the Share Purchase Agreement.

At Completion, the shareholding structure of the Target Group will be as set out below:



At the date of the execution of the Share Purchase Agreement, the due establishment and registration of Qingdao Hua Xin as a wholly-foreign-owned enterprise of Meyton Investment is subject to the contribution by Meyton Investment of registered capital of

HK$30,000,000 into Qingdao Hua Xin as required under its constitutional documents. The acquisition by Qingdao Hua Xin of the entire equity interest in Qingdao Hong Rui is also subject to the completion of the relevant equity transfer agreement pursuant to which such interest shall be transferred to Qingdao Hua Xin.

As at 12 October 2007, HK$30,000,000 was injected by Mayton Investment into Qingdao Hua Xin as its registered capital.

As at 25 October 2007, the acquisition by Qingdao Hua Xin of the entire equity interest in Qingdao Hong Rui was completed.

Consideration

The Consideration comprises:

(1) a cash amount of a Hong Kong Dollar equivalent of RMB55,000,000 payable by Hua Yi Copper at Completion, subject to the Adjustment;

(2) HK$110,000,000 payable by the issuance of Consideration Shares at HK$1.10 per Consideration Share to the Vendor at Completion; and

(3) the grant by Hua Yi Copper to the Vendor of an option to subscribe for the Option Shares at the Exercise Price during the Option Period pursuant to the Call Option Agreement to be entered into between Hua Yi Copper and the Vendor at Completion. The fair value of such call option is, as determined by LCH (Asia Pacific) Surveyors Limited, independent valuers appointed by Hua Yi Copper, approximately HK$35,000,000.

Lock up

The Vendor has agreed and undertaken not to reduce the number of the Consideration Shares held by it by more than 50% within six (6) months from its subscription of the same.

Adjustment to the Consideration

The cash amount of a Hong Kong Dollar equivalent of RMB55,000,000 payable by Hua Yi Copper at Completion is subject to adjustment by reference to Completion Accounts to be prepared by Hua Yi Copper following Completion. Such cash amount of the Consideration shall be reduced on a dollar-for dollar basis against any amount of liabilities shown in the Completion Accounts as at the date of Completion.

Basis of determination of the Consideration

The Consideration was determined after taking into consideration factors including the present market price of iron-ore concentrated powder at 65% grade and the estimated amount of the Mineral Resources of the Zhong Guan Town Mine. To the best knowledge of the directors of the Hua Yi Copper, the market price of iron-ore concentrated powder at 65% grade at the time of signing the Share Purchase Agreement was in the range of about

RMB950 to RMB1,100 per tonne depending on factors such as the grade and chemical properties of the products and the demand and supply. According to the information provided by the Vendor, the Mineral Resources of the Zhong Guan Town Mine under the Mining Licence was estimated to amount to approximately 10,000,000 tonnes. Accordingly, the parties agreed a value for the Zhong Guan Town Mine and its tangible mining iron-ore processing facilities to be not less than HK$380,000,000.

According to information provided by the Vendor, the estimated amount of Mineral Resources of the Gu Shan Mine was approximately 100,000,000 tonnes. However, given that the Mining Exploration Licence is in the process of being transferred from Mr. Zhao Guofu to Long Hua Long Xin while Long Hua Long Xin holds the Mining Exploration Licence pending completion of the transfer of the Mining Exploration Licence, the value of the Gu Shan Mine was therefore considered to be nil in the determination of the consideration of the Acquisition.

Hua Yi Copper has engaged SRK to report on and verify the reserves of the Target Mines. A copy of the technical report issued by SRK setting out the results of its review of the reserves of the Target Mines is set out in Appendix IV to this circular.

The Consideration was reached after arm's length commercial negotiations between Hua Yi Copper and the Vendor. Based on the factors mentioned above, the directors of Solartech and Hua Yi Copper consider that the terms of the Acquisition and the Consideration to be on normal commercial terms and are fair and reasonable.

A business valuation report on the Target Group, prepared by Norton Appraisals Limited, is set out in Appendix V to this circular. As set out in the valuation report, the total value of the Target Group as at 7 October 2007 was about HK$388,000,000. Based on such valuation, the directors of Hua Yi Copper and Solartech consider that the Consideration was fair and reasonable.

Conditions Precedent

Completion of the Acquisition is subject to the following conditions precedent:

1. Hua Yi Copper having completed due diligence on the legal, financial, taxation and environmental aspects of the business and assets of the members of the Target Group and the results, including the result of the technical report mentioned in paragraph 4 below, being satisfactory to Hua Yi Copper;

2. the Vendor having obtained all the approvals, consents, registration or filings of government and regulatory bodies required for the transfer of the Sale Shares (except the approval of the Listing Committee in relation to the listing of and dealing in the Consideration Shares);

3. during the period between the signing of the Share Purchase Agreement and the Completion Date, there is no material adverse change to the business and financial condition of the Target Group;

4. Hua Yi Copper having appointed a qualified mineral technical adviser to conduct technical investigations on the mining licences, exploration licences, iron-ore concentrated powder processing plants and the relevant mining and iron-ore concentrated powder production equipment held by Long Hua Long Xin and Mr. Zhao Guofu, and production of the relevant technical report stating that the Mineral Resources in the mining areas corresponding to the Mining Licence and the Mining Exploration Licence shall not be less than 110,000,000 tonnes;

5. Long Hua Hua Hui having obtained all the construction approval documents for the construction of the proposed iron-ore concentrated powder plant with an annual production capacity of 500,000 tonnes and has obtained the launching and filing documents on the annual production capacity of 500,000 tonnes of the iron-ore concentrated powder plant;

6. in respect of the Mining Exploration Licence,

   (a) the legal and effective transfer of such licence to Long Hua Long Xin being in progress by the execution of the relevant licence transfer agreement and payment of relevant consideration; and the expiry date of such Mining Exploration Licence having been extended to 2009; and

   (b) Mr. Zhao Guofu and Long Hua Long Xin having entered into a cooperation agreement in respect of the Mining Exploration Licence, under which, among other things, Zhao Guofu grants to Long Hua Long Xin the exploration rights under the Mining Exploration Licence, and Long Hua Long Xin shall be responsible for exploration, development and management of the exploration rights, under the Mining Exploration Licence *(note)*;

7. the Vendor having provided to Hua Yi Copper a PRC legal opinion issued by a qualified PRC law firm acceptable to Hua Yi Copper confirming the following, among other things:

   (a) each member of the Target Group has been duly established and is validly existing and has completed its capital verification report (where applicable);

   (b) the financial statements and tax returns of the members of the Target Group established in the PRC comply with the relevant PRC financial and tax regulations;

   (c) each member of the Target Group has obtained all necessary business licences at the time of establishment and validly owns its assets, and the relevant licences are still valid;

(d) the operation and business of the members of the Target Group are lawful;

(e) members of the Target Group have obtained and completed all the necessary approvals, authorisations, consents, registration and filing formalities (if applicable) in relation to the reorganisation conducted;

(f) there is no major legal obstacle to complete the transfer mentioned in the paragraph 6(a) above and such transfer will be legal, valid and binding;

(g) the cooperation agreement mentioned in paragraph 6(b) is legal, valid and binding; and

(h) any other relevant PRC legal issues which Hua Yi Copper might reasonably consider to be applicable to the transactions contemplated under the Share Purchase Agreement;

8. HYC, Meyton Investment and the Target Company having entered into the Loan Agreement;

9. Hua Yi Copper having obtained the Audited Accounts;

10. shareholders of each of Hua Yi Copper and Solartech having approved the Acquisition and the issuance of the Consideration Shares and the Option Shares (as the case may be) pursuant to the Listing Rules;

11. Hua Yi Copper having obtained approval of the Listing Committee in relation to the listing and trading of the Consideration Shares and the Option Shares; and

12. each of the representations and warranties under the Share Purchase Agreement being true and accurate on the date immediately before Completion.

Note: pursuant to a supplemental agreement entered into between Hua Yi Copper and the Vendor on 15 December 2007, the condition precedent in respect of the Mining Exploration Licence has been amended that such Mining Exploration Licence shall be transferred to Long Hua Long Xin instead of Long Hua Hua Hui which was the initial proposed transferee contemplated in the Share Purchase Agreement. In addition, Mr. Zhao Guofu and Long Hua Long Xin entered into a cooperation agreement in respect of the Mining Exploration Licence as described in paragraph 6(b) above, and the agreement entered between, Mr. Zhao Guofu and Long Hua Hua Hui on 25 November 2006 as disclosed in the Announcement was terminated .

Hua Yi Copper has the right to waive in writing the conditions 1, 2, 3, 4, 5, 6, 7, 9 and 12 mentioned above.

As at the Latest Practicable Date, except conditions 4 and 8 which have been fulfilled, the fulfilment of each of the conditions mentioned above remains pending.

Completion

Completion shall take place on the fifth Business Day after the fulfillment (or waiver) of the conditions precedent 1 to 11 referred to under the paragraph headed "Conditions Precedent" above or such other date as the parties to the Share Purchase Agreement shall agree.

CONSIDERATION SHARES

The Issue Price of the Consideration Shares of HK$1.10 per Consideration Share was determined after arm's length negotiations between the parties with reference to the recent market price of the Hua Yi Copper Shares and the unaudited net asset value per Hua Yi Copper Share as at 31 December 2006 of HK$0.65. The Issue Price represents:

(i) a discount of approximately 5.98% to the closing price of HK$1.17 per Hua Yi Copper Share as quoted on the Stock Exchange on 5 October 2007, being the last trading day prior to the suspension of trading in the Hua Yi Copper Shares pending the release of the Announcement;

(ii) a discount of approximately 1.79% to the average closing price of HK$1.12 per Hua Yi Copper Share over the last 5 trading days up to and including 5 October 2007;

(iii) a discount of approximately 3.51% over the average closing price of HK$1.14 per Hua Yi Copper Share over the last 10 trading days up to and including 5 October 2007;

(iv) the average closing price of HK$1.10 per Hua Yi Copper Share over the last 30 trading days up to and including 5 October 2007;

(v) a premium of approximately 69.23% over the unaudited net assets value of Hua Yi Copper of approximately HK$0.65 per Hua Yi Copper Share as at 31 December 2006; and

(vi) a premium of approximately 20.88% over the closing price of HK$0.91 per Hua Yi Copper Share at the Latest Practicable Date.

The Consideration Shares represent approximately 12.74% of the existing share capital of Hua Yi Copper and approximately 11.30% of the issued share capital of Hua Yi Copper as enlarged by the issue of the Consideration Shares. Based on the factors mentioned above, the directors of Hua Yi Copper and Solartech consider that the Issue Price is fair and reasonable. The Consideration Shares will be issued under a specific mandate proposed to be granted subject to the approval of the shareholders of Hua Yi Copper at the Hua Yi Copper SGM. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Set out below is the shareholding structure of Hua Yi Copper as at the Latest Practicable Date and immediately after issue of the Consideration Shares (assuming there is no other change in the share capital of Hua Yi Copper from the Latest Practicable Date to the Completion Date):

	As at the Latest Practicable Date *(shares)*	**After issue of the Consideration Shares but before issue of Option Shares** *(shares)*
Skywalk Assets Management Limited *(Note)*	402,131,875 (51.25%)	402,131,875 (45.46%)
Mr. Chau Lai Him	2,894,000 (0.37%)	2,894,000 (0.33%)
The Vendor	–	100,000,000 (11.30%)
Public	379,608,625 (48.38%)	379,608,625 (42.91%)
Total	784,634,500	884,634,500

Note: Skywalk is a wholly-owned subsidiary of Solartech which was deemed to be wholly and beneficially interested in the Hua Yi Copper Shares held by Skywalk by virtue of the Securities and Futures Ordinance.

CALL OPTION AGREEMENT

Upon Completion, Hua Yi Copper, as grantor, and the Vendor, as grantee, shall enter into the Call Option Agreement pursuant to which Hua Yi Copper shall grant the Vendor an option to subscribe up to 50,000,000 Hua Yi Copper Shares at HK$1.10 per Option Share during a period of five years from the Business Day immediately following the date of signing of the Call Option Agreement. The fair value of such call option is, as determined by LCH (Asia Pacific) Surveyors Limited, independent valuers appointed by Hua Yi Copper, approximately HK$35,000,000.

The Exercise Price of the Option Shares of HK$1.10 per Option Share was determined after arm's length negotiations between the parties based on the same determination factors of the Issue Price of the Consideration Shares as set out in the paragraph headed "Consideration Shares". Based on the factors mentioned above, the directors of Hua Yi Copper and Solartech consider that the Exercise Price is fair and reasonable.

The Option Shares represent approximately 6.37% of the existing share capital of Hua Yi Copper and approximately 5.35% of the issued share capital of Hua Yi Copper as enlarged by the issue of the Consideration Shares and the Option Shares. The Option Shares will be issued under a specific mandate proposed to be obtained at the Hua Yi Copper SGM. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Option Shares.

Set out below is the shareholding structure of Hua Yi Copper as at the Latest Practicable Date, immediately after issue of the Consideration Shares and after the issue of the Option Shares (assuming there is no other change in the share capital of Hua Yi Copper from the Latest Practicable Date):

	As at the Latest Practicable Date *(Shares)*	**After issue of the Consideration Shares but before issue of Option Shares** *(Shares)*	**After issue of the Option Shares** *(Shares)*
Skywalk Assets Management Limited *(Note)*	402,131,875	402,131,875	402,131,875
	(51.25%)	(45.46%)	(43.03%)
Mr. Chau Lai Him	2,894,000	2,894,000	2,894,000
	(0.37%)	(0.33%)	(0.31%)
The Vendor	–	100,000,000	150,000,000
	–	(11.30%)	(16.05%)
Public	379,608,625	379,608,625	379,608,625
	(48.38%)	(42.91%)	(40.61%)
Total	784,634,500	884,634,500	934,634,500

Note: Skywalk is a wholly-owned subsidiary of Solartech which was deemed to be wholly and beneficially interested in the Hua Yi Copper Shares held by Skywalk by virtue of the Securities and Futures Ordinance.

LOAN AGREEMENT

On 7 October 2007, HYC, Meyton Investment and the Target Company entered into the Loan Agreement. Under the Loan Agreement, HYC shall lend to Meyton Investment HK$30,000,000, which shall be applied by Meyton Investment for the sole purpose of its contribution to the registered capital of Qingdao Hua Xin as required under the constitutional documents of Qingdao Hua Xin.

Meyton Investment may draw down the Loan within five Business Days after HYC has received the following documents in the form and substance satisfactory to HYC including, among others:

1. evidence that a person designated by HYC is appointed as a joint signatory to the bank accounts of Meyton Investment and of Qingdao Hua Xin, on the basis that any withdrawal of funds from such accounts shall require the signature of such joint signatory;

2. the company seal of Qingdao Hua Xin, to be retained by HYC throughout the term of the Loan and until the Loan is fully repaid;

3. evidence that a person designated by HYC has been appointed and registered as the legal representative of Qingdao Hua Xin;

4. the Share Charge and documents required to be executed thereunder duly executed by the Target Company;

5. the original certificates in respect of all of the issued shares in the capital of Meyton Investment held by the Target Company;

6. the Share Purchase Agreement duly executed by Hua Yi Copper and the Vendor.

The Loan shall be repayable in full on the earlier of: (i) the Completion Date; (ii) the date on which the Share Purchase Agreement is terminated by either party for whatever reason; and (iii) 31 March 2008.

If upon Completion Hua Yi Copper shall elect, in accordance with the terms of the Share Purchase Agreement, to treat any outstanding amounts of the Loan and interest thereon as part payment of the purchase price payable by Hua Yi Copper to the Vendor under the Share Purchase Agreement, then HYC has agreed in the Loan Agreement that the amount of Loan and interest thereon due and repayable shall be reduced by such part payment amount, and the reduced amount shall be deemed to have been repaid by Meyton Investment under the Loan Agreement.

Meyton Investment shall pay interest at the rate of 1% above Prime Rate accrued on the Loan and any other amounts due but unpaid under the Loan Agreement to HYC from the date of drawdown to the date of full repayment.

The Loan was drawn down by Meyton Investment in accordance with the terms of the Loan Agreement on 11 October 2007.

SHARE CHARGE

Pursuant to the Loan Agreement, a share charge document was executed by the Target Company in favour of HYC.

Pursuant to the Share Charge, the Target Company, as security for the repayment of the Loan, has charged in favour of HYC by way of a first legal mortgage or first fixed charge:

1. all of the issued shares in Meyton Investment held by the Target Company; and

2. all related rights accruing to such shares.

The security constituted by the Share Charge shall become immediately enforceable upon the occurrence of an event of default including, among others:

1. if Meyton Investment uses any part of the Loan for any purpose other than the purpose of the contribution by Meyton Investment to the registered capital of Qingdao Hua Xin as required under the constitutional documents of Qingdao Hua Xin;

2. the legal representative of Qingdao Hua Xin designated by HYC is removed from his position as legal representative;

3. any expropriation, attachment, sequestration, distress or execution affects any asset or assets of Meyton Investment, the Target Company or Qingdao Hua Xin and, if that asset is considered by HYC not to be material in the context of the assets of Meyton Investment, the Target Company or Qingdao Hua Xin, such expropriation, attachment, sequestration, distress or execution is not discharged within 14 days;

4. Qingdao Hua Xin ceases to be a subsidiary of Meyton Investment without the prior written consent of HYC; or

5. Meyton Investment, the Target Company or Qingdao Hua Xin, without the prior written consent of HYC, ceases, or threatens to cease or to carry on all or a substantial part of its business.

INFORMATION ON SOLARTECH AND HUA YI COPPER

Solartech is an investment holding company and the Solartech Group is principally engaged in the manufacture and trading of cables and wires, copper rods, connectors and terminals. As at the date of the Announcement, Solartech through its wholly-owned subsidiary Skywalk, beneficially owned approximately 51.35% of the issued share capital of Hua Yi Copper.

Hua Yi Copper is principally engaged in the manufacture and trading of copper rods and other related products in the PRC and Hong Kong. Products manufactured and sold by Hua Yi Copper include copper rods of various diameters and copper wires with tinsel, enamel or tin coating. In addition, Hua Yi Copper is also engaged in the manufacture and trading of life-like plants and the production, distribution and licensing of television programmes. Hua Yi has no other outstanding options or warrants except options granted under its employee share option scheme.

INFORMATION ON THE VENDOR AND MEMBERS OF THE TARGET GROUP

The Vendor is a company incorporated in the BVI on 5 January 2007, holding the Target Company. The Target Company holds the entire issued share capital in Meyton Investment. Meyton Investment will, upon Completion, beneficially own 100% equity interest in Qingdao Hua Xin, and, indirectly own 100% equity interest in Qingdao Hong Rui, 95% equity interest in Long Hua Hua Hui and 95% equity interest in Long Hua Long Xin.

Based on representations of the Vendor to Hua Yi Copper, and so far as the directors of Hua Yi Copper and Solartech are aware, the Vendor, Target Company and Meyton Investment are investment holding companies and have not conducted any business since its date of incorporation and no accounts have been prepared since then.

Qingdao Hua Xin was incorporated to engage in providing services for crashing, separation and concentration of iron-ore rock. Based on representations of the Vendor, Qingdao Hua Xin has not conducted any business since its incorporation and no accounts have been prepared.

Qingdao Hong Rui principally engages in iron-ore concentrated powder processing. Long Hua Long Xin is principally engaged in the business of mining, iron-ore processing, trading of iron-ore concentrated powder products and mining equipments. Long Hua Long Xin has an iron-ore concentrated powder processing plant that estimated to have annual production capacity of 300,000 tonnes. It is also the holder of the Mining Licence. The iron-ore concentrated powder processing plant includes buildings and mining and processing, machinery and equipment, transportation facilities and electronic equipment. The Mining Licence indicates that the Zhong Guan Town Mine covers an aggregate mine area of 0.4225 square kilometres. Long Hua Long Xin, pending completion of the transfer of the Mining Exploration Licence from Mr. Zhao Guofu, will have the right to operate, manage, develop, and invest the Mineral Resources of the Gu Shan Mine pursuant to an agreement entered into between Mr. Zhao Guofu and Long Hua Long Xin on 15 December 2007. Pursuant to the agreement between Mr. Zhao Guofu and Long Hua Long Xin, Long Hua Long Xin is entitled to all the rights and benefits of the Gu Shan Mine. To the best knowledge, information and belief of the director of each of Solartech and Hua Yi Copper, having made all reasonable enquiries, Mr. Zhao Guofu is not a connected person of Hua Yi Copper or Solartech. The Mining Exploration Licence indicates that the Gu Shan Mine covers an aggregate mine area of 2.142 square kilometres.

Long Hua Hua Hui was incorporated to engage in iron-ore mining and processing, iron-ore concentrated powder production and trading of mining equipments. Based on representations of the Vendor to Hua Yi Copper, Long Hua Hua Hui has not commenced operation since its incorporation. According to information provided by the Vendor, Long Hua Hua Hui has obtained a construction site approval from relevant government authority for an iron-ore concentrated powder processing plant, which estimated will have an annual production capacity of 500,000 tonnes.

Appendix IV to this circular sets out the technical report of the Target Mines prepared by SRK, in which it is set out, among other things, the Gu Shan Mine has an estimated indicted Mineral Resources of not less than 122b resource of 174.73 million tonnes with average grade of 20.70% total iron ("TFe"), and 10.81% magnetic iron ("mFe"), and 333 resource of 13.76 million tonnes with average TFe and mFe grades of 23.25% and 9.89% respectively, and the Zhong Guan Town Mine has an estimated 122b resource of 8.42 million tonnes with average grade of 21.59% TFe and a 333 resource of 2.44 million tonnes with average TFe grade of 21.01%.

The technical report has been prepared by SRK to the standard of, and is considered by SRK to be, a Technical Assessment Report under Valmin Code guidelines. The Valmin Code incorporates the JORC Code for reporting of Mineral Resources and Ore Reserves and is binding upon all Australasian Institute of Mining and Metallurge (AUSIMM) members. Please refer to pages IV-4 to IV-10 for the executive summary made by SRK.

Appendix V to this circular sets out the business valuation report of the Target Group prepared by Norton Appraisals Limited, in which it is set out, among other things, that the market value of the Target Group as at 7 October 2007 would be approximately HK$388,000,000. Please refer to pages V-19 to V-20 for the assumptions adopted in the business valuation report, and page V-21 for the conclusion made by Norton Appraisals Limited.

Set out below are the financial information of the Target Group in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"):

	For the Period From 3 March 2004 to 31 December	**For the year ended 31 December**		**Nine months ended 30 September**
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	717	17,425	12,879	14,943
Net (loss) profit before taxation	(2,947)	(5,928)	(4,344)	293
Net (loss) profit after taxation	(2,947)	(5,928)	(4,344)	293
Net assets/(liabilities)	2,053	(3,375)	(6,719)	(5,768)

REASONS FOR THE ACQUISITION

As disclosed in the announcement dated 18 July 2007, Hua Yi Copper changed its Chinese name to reflect the Hua Yi Copper Group's business strategy on the metals and minerals sector. Hua Yi Copper will continue its existing business after the Completion.

The directors of Solartech and Hua Yi Copper consider the Acquisition represents an opportunity for the Hua Yi Copper Group to diversify into the mineral resources business. In view of the increase in demand for natural resources in the world and the increase in the prices of mineral resources during the year, the directors of Hua Yi Copper are optimistic about the future prospects and demand for natural resources. The strong growth momentum of the PRC economy and the continuous development of the cities, motor vehicle industry, infrastructure and real estate sectors, demand for iron and related products will continue to grow robustly.

The purpose of the Acquisition is to explore the opportunities and derive income from the sales of Mineral Resources to be extracted from the Target Mines. Given that Zhong Guan Town Mine is currently operating an iron-ore concentrated powder processing facility with an estimated annual processing capacity of 300,000 tonnes, it is expected that the Target Group will generate cash flow and revenue in the near future.

The directors of Solartech and Hua Yi Copper consider the terms of the Share Purchase Agreement to be fair and reasonable and in the interest of Solartech and Hua Yi Copper and the shareholders of Solartech and Hua Yi Copper as a whole.

EFFECT ON SOLARTECH

The beneficial interest of Solartech (through its interest in Skywalk) in the issued share capital of Hua Yi Copper will be reduced from approximately 51.25% to approximately 45.46% immediately after the allotment and issuance of the Consideration Shares upon Completion. Following Completion, Hua Yi Copper will cease to be a subsidiary of Solartech. The remaining Hua Yi Copper Shares beneficially owned by Solartech will be retained.

Upon completion, equity accounting treatment will be applied by Solartech in Hua Yi Copper.

As at year ended 30 June 2005, the net profit before taxation and extraordinary items and the net profit after taxation and extraordinary items of Hua Yi Copper were HK$28,768,000 and HK$20,443,000. As at year ended 30 June 2006, the net profit before taxation and extraordinary items and the net profit after taxation and extraordinary items of Hua Yi Copper were HK$109,489,000 and HK$90,304,000. As at year ended 30 June 2007 (being the date up to which the latest published audited consolidated accounts of Hua Yi Copper were made), the net loss before taxation and extraordinary items and the net loss after taxation and extraordinary items of Hua Yi Copper were HK$14,806,000 and HK$14,154,000. Net results attributable to the deemed very substantial disposal by Solartech (through its interest in Skywalk) of 5.79% shareholding in Hua Yi Copper for the three financial years ended 30 June 2007 were:

(a) approximately HK$1,666,000 (net profit before taxation and extraordinary items) or approximately HK$1,184,000 (net profit after taxation and extraordinary items) for the financial year ended 30 June 2005;

(b) approximately HK$6,339,000 (net profit before taxation and extraordinary items) or approximately HK$5,229,000 (net profit after taxation and extraordinary items) for the financial year ended 30 June 2006; and

(c) approximately HK$857,000 (net loss before taxation and extraordinary items) or approximately HK$816,000 (net loss after taxation and extraordinary items) for the financial year ended 30 June 2007.

As at 31 December 2006, the consolidated net asset value of Hua Yi Copper was HK$508,199,000. As at 31 December 2006, the carrying value of the 5.79% shareholding in Hua Yi Copper deemed to have been disposed of by Solartech (through its interest in Skywalk) was approximately HK$29,425,000 (calculated on the basis of 5.79% of the consolidated net asset value of Hua Yi Copper as at 31 December 2006). As at 31 December 2006, the carrying value of the 51.25% shareholding in Hua Yi Copper was HK$312,355,000. Upon completion, it is estimated that the consolidated net assets value of Hua Yi Copper will be approximately HK$719,473,000, and the carrying value of the 45.46% shareholding in Hua Yi Copper will be HK$327,072,000. Accordingly, this will give rise to an estimated gain of approximately HK$14,717,000 for Solartech (through its interest in Skywalk).

As at 30 June 2007 (being the date up to which the latest published audited accounts of Hua Yi Copper were made), the consolidated net asset value of Hua Yi Copper was HK$481,055,000. As at 30 June 2007, the carrying value of the 5.79% shareholding in Hua Yi Copper deemed to have been disposed of by Solartech (through its interest in Skywalk) was approximately HK$27,853,000 (calculated on the basis of 5.79% of the consolidated net asset value of Hua Yi Copper as at 30 June 2007). As at 30 June 2007, the carrying value of 51.25% shareholding in Hua Yi Copper was HK$301,891,000. Upon completion, it is estimated that the consolidated net assets value of Hua Yi Copper will be approximately HK$699,055,000, and the carrying value of the 45.46% shareholding in Hua Yi Copper will be HK$317,790,000. Accordingly, this will give rise to an estimated gain of approximately HK$15,899,000 for Solartech (through its interest in Skywalk).

The market value of the 5.79% shareholding in Hua Yi Copper deemed to have been disposed of by Solartech (through its interest Skywalk) is approximately HK$53,052,000 (calculated on the basis of the closing price of HK$1.17 per Hua Yi Copper Share as quoted on the Stock Exchange on 5 October 2007, being the last trading day of Hua Yi Copper Share immediately before the date of the Announcement).

As refer to Appendix IIIA of the pro forma financial information, set out below is a summary of the unaudited pro forma financial information of Remaining Group before and after Completion, prepared on the based set out on page IIIA of Appendix IIIA.

	Before Completion *HK$'000*	**After Completion** *HK$'000*
Total assets	2,434,169	1,439,040
Total liabilities	1,297,543	451,535
Total net assets	1,136,626	987,505
Net current assets	378,250	173,379
Turnover	3,859,828	1,415,087
Net profit attributable to:		
Equity holders of parent	782	(21,482)

RECOMMENDATION OF THE BOARD

The board of directors of Solartech considers that the terms of the Share Purchase Agreement are fair and reasonable and the Acquisition and all transactions contemplated thereunder are in the interests of Solartech and the shareholders of Solartech as a whole. The board of directors of Solartech therefore recommends the shareholders of Solartech to vote in favour of the resolutions to approval the Share Purchase Agreement and all the transactions contemplated thereunder at the Solartech SGM.

SOLARTECH SGM

A notice of the Solartech SGM to be held at 10:00 a.m. on 17 January 2008 at No. 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong is set out on pages SGM-1 to SGM-2 of this circular for the purpose to consider and, if thought fit, to approve the Share Purchase Agreement and all the transactions contemplated thereunder by way of poll.

To the best knowledge of the directors of Solartech, none of the Vendor or its associates holds any shares of Solartech as at the Latest Practicable Date. On such basis, no shareholder of Solartech is required to abstain from voting on the Share Purchase Agreement and all the transactions contemplated thereunder.

There is a form of proxy for use at the Solartech SGM accompanying this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanied form of proxy in accordance with the instruction, printed thereon and return it to the principal place of business of Solartech 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 or 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.

PROCEDURE FOR DEMANDING A POLL

Pursuant to Bye-law 66 of the Bye-laws, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

(a) the chairman of such meeting; or

(b) at least three members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(c) a member or members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(d) a member or members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy and holding shares in Solartech conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

By order of the board
Solartech International Holdings Limited
Chau Lai Him
Chairman and Managing Director

Deloitte.
德勤

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31 December 2007

The Board of Directors
Solartech International Holdings Limited
No. 7, 2/F, Kingsford Industrial Centre
13 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Solartech International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the period from 1 April 2004 to 30 June 2005 and for the two years ended 30 June 2007 (the "Relevant Periods") for inclusion in the circular of the Company dated 31 December 2007 (the "Circular") in connection with the acquisition of the entire equity interest in Yeading Enterprises Limited and the partial disposal of equity interest in Hua Yi Copper Holdings Limited (the "Acquisition").

The Company was incorporated in Bermuda as an exempted company with limited liability on 18 November 1996. The Company is an investment holding company.

At the respective balance sheet dates and date of this report, the Company had direct and indirect interests in the following subsidiaries. None of the subsidiaries had issued any debt securities.

Name	Notes	Place of incorporation/ establishment/ operation	Date of incorporation/ establishment	Attributable interest to the Group 30 June 2005	30 June 2006	30 June 2007	Date of this report	Issued and fully paid share/ registered capital as at the date of this report	Principal activities
Allample Assets Management Limited	*1*	British Virgin Islands ("BVI")	25 May 2005	100%	100%	100%	100%	US$1	Provision of consultancy services
Asia Century Enterprises Limited	2	Hong Kong ("HK")	19 April 2006	–	100%	100%	100%	HK$1	Investment holding
Asia Watch Enterprises Limited	*1*	BVI	18 October 2000	70%	70%	70%	70%	US$50,000	Investment holding
Asia Watch International Trading (Shanghai) Co. Ltd.	3	People's Republic of China ("PRC")	18 October 2000	70%	70%	70%	70%	RMB1,655,460	Investment holding
Bescord Products Limited	*1*	BVI	8 December 2005	–	100%	100%	100%	US$1	Investment holding

Name	Notes	Place of incorporation/ establishment/ operation	Date of incorporation/ establishment	Attributable interest to the Group 30 June 2005	30 June 2006	30 June 2007	Date of this report	Issued and fully paid share/ registered capital as at the date of this report	Principal activities
Bestway Assets Management Limited	*1*	BVI	18 August 2004	100%	100%	100%	100%	US$1	Investment holding
Bighorn Limited	*1*	BVI	8 October 1999	100%	100%	100%	100%	US$1	Investment holding
Brascabos Componentes Elétricos E Eletrônicos Da Amazônia Ltda.	*1*	Brazil	12 May 1995	–	–	100%	100%	R$1,060,020	Manufacture and trading of power cords and wire harness
Brascabos Componentes Elétricos E Eletrônicos Ltda.	*1*	Brazil	5 June 1992	–	–	100%	100%	R$3,335,000	Manufacture and trading of power cords and wire harness
Brightpower Assets Management Limited	*4*	BVI/HK	20 December 2004	100%	100%	100%	100%	US$1	Investment holding
Bronte International Limited	*2*	HK	8 October 1999	100%	100%	100%	100%	HK$1,000	Investment holding
Chau's Electrical (B.V.I.) Co., Ltd.	*1*	BVI	12 January 1994	100%	100%	100%	100%	US$1	Property holding
Chau's Electrical (Mauritius) Company Limited	*1*	Mauritius	19 April 2004	100%	100%	100%	100%	US$100	Investment holding
Chau's Electrical Company Limited	*2*	HK	2 March 1984	100%	100%	100%	100%	HK$1,000	Manufacture and trading of cable and wire products
Chau's Electrical International, Inc.	*1*	United States	12 August 1996	100%	100%	100%	100%	US$20,000	Trading of cable and wire products
Chau's Industrial Investments Limited	*1*	BVI	3 July 1996	100%	100%	100%	100%	US$1,000	Investment holding
Chau's Nominees Limited	*1*	BVI	9 August 1996	100%	100%	100%	100%	US$1	Investment holding
China Glory Management Limited	*1*	BVI	1 October 1997	100%	100%	100%	100%	US$1	Investment holding
Citigain Industrial Limited	*2*	HK	13 July 1998	100%	100%	100%	100%	HK$1,000	Investment holding
Crown Earth Investments Limited	*2*	HK	20 June 1997	100%	100%	100%	100%	HK$100	Investment holding
Dongguan Hua Yi Brass Products Company Limited ("Dongguan Hua Yi")	*5, 11*	PRC	28 December 1995	100%	100%	100%	100%	US$10,619,330	Manufacture and trading of copper products

Name	Notes	Place of incorporation/ establishment/ operation	Date of incorporation/ establishment	Attributable interest to the Group 30 June 2005	30 June 2006	30 June 2007	Date of this report	Issued and fully paid share/ registered capital as at the date of this report	Principal activities
Dongguan Qiaozi Chau's Electrical Company Limited ("Dongguan Qiaozi")	*5, 11*	PRC	3 July 1990	100%	100%	100%	100%	HK$5,000,000	Manufacture and trading of cable and wire products
Dongguan United Arts Plastic Products Limited	*3, 12*	PRC	24 November 1993	100%	100%	100%	100%	HK$49,000,000	Manufacture of life-like Christmas trees
Dongguan Xinbao Precision Chemical Company Limited ("Dongguan Xinbao ")	*5, 12*	PRC	27 September 2001	85%	85%	85%	85%	HK$45,000,000	Manufacture and trading of chemical products
Driston Services Limited	*1*	BVI	5 January 1995	100%	100%	100%	100%	US$1	Investment holding
East Asia Cyber Limited	*2*	HK	28 June 2000	100%	100%	100%	100%	HK$1,000	Investment holding
E-Business Integrated Technology Limited	*4*	HK	9 October 2000	80%	80%	80%	80%	HK$100	Sale of festival gift products through an internet portal
Fortune Point Limited	*1*	BVI	16 December 2004	100%	100%	100%	100%	US$1	Investment holding
FT China Limited	*4*	HK	9 August 1994	100%	100%	100%	100%	HK$2	Manufacture of life-like decorative plants
FT Far East Limited	*4*	HK	9 August 1994	100%	100%	100%	100%	HK$2	Trading of life-like decorative plants
FT Multi-Media Limited	*4*	BVI/PRC	19 January 2000	60%	60%	60%	60%	US$10,000	Production, acquisition and distribution of television programmes and provision of related multi-media services
FT Strategic Investments Limited	*4*	BVI/HK	19 January 2000	100%	100%	100%	100%	US$1	Investment holding
Fund Resources Electric Industry Co., Ltd (Shang Hang) ("Shang Hang")	*6, 11*	PRC	7 November 2005	–	100%	100%	100%	HK$40,000,000	Investment holding
Fund Resources Limited	*2*	HK	16 June 2004	100%	100%	100%	100%	HK$1	Investment holding
Glory Bell Technology Limited	*1*	BVI	8 February 2000	100%	100%	100%	100%	US$1	Investment holding
Glory Resources Limited	*2*	HK	28 July 2004	100%	100%	100%	100%	HK$1	Investment holding
Glory Sun Developments Limited	*1*	BVI	3 January 2006	–	100%	100%	100%	US$1	Investment holding

Name	*Notes*	Place of incorporation/ establishment/ operation	Date of incorporation/ establishment	Attributable interest to the Group 30 June 2005	30 June 2006	30 June 2007	Date of this report	Issued and fully paid share/ registered capital as at the date of this report	Principal activities
Gosberton Assets Limited	*1*	BVI	30 January 1996	100%	100%	100%	100%	US$1	Holding of trademarks
Grand Star Industries Limited	*2*	HK	3 July 2006	–	–	100%	100%	HK$1	Investment holding
Hauteen Group Limited	*1*	BVI	8 December 1999	100%	100%	100%	100%	US$1	Investment holding
Hua Lian Copper Products Company Limited	*2*	HK	31 January 2005	100%	100%	100%	100%	HK$1	Investment holding
Hua Ling Copper Products Company Limited	*1*	BVI	20 January 2006	–	100%	100%	100%	US$1	Investment holding
Hua Yi Assets Management Limited	*1*	BVI	20 October 2004	100%	100%	100%	100%	US$1	Investment holding
Hua Yi Copper (BVI) Company Limited	*1*	BVI	6 July 2004	100%	100%	100%	100%	US$1	Investment holding
Hua Yi Copper Holdings Limited	*1*	Bermuda	11 June 1996	71.49%	60.05%	59.74%	51.35%	HK$157,269,000	Investment holding
Hua Yi Copper Products Company Limited	*2*	HK	6 May 1998	100%	100%	100%	100%	HK$5,000,000	Manufacture and trading of copper products
Hua Yi Enterprises Limited	*1*	BVI	26 May 2005	100%	100%	100%	100%	US$1	Investment holding
Hua Yi Industrial Development Limited	*2*	HK	12 July 2004	100%	100%	100%	100%	HK$1	Investment holding
HYC Finance Company Limited	*2*	HK	25 June 2005	100%	100%	100%	100%	HK$1	Investments
Infomight Limited	*1*	BVI	25 May 2005	100%	100%	100%	100%	US$1	Provision of consultancy services
Innotimes Limited	*1*	BVI	16 March 2001	100%	100%	100%	100%	US$1	Investment holding
Introspective Technology Limited	*1*	BVI	5 January 2000	100%	100%	100%	100%	US$1	Investment holding
Jingjiang Hua Ling Copper Products Company Limited	*3, 11*	PRC	17 March 2006	–	100%	100%	100%	US$3,500,000	Manufacturing and trading of copper products
Kabbitt Group Limited	*1*	BVI	30 September 1999	100%	100%	100%	100%	US$1	Investment holding
Kadesh Resources Limited	*1*	BVI	7 March 1995	100%	100%	100%	100%	US$1	Investment holding
Kunshan Chau's Electrical Company Limited ("Kunshan Chau's")	*7, 11*	PRC	17 January 2004	100%	100%	100%	100%	US$5,000,000	Manufacture and trading of cable and wire products

Name	*Notes*	Place of incorporation/ establishment/ operation	Date of incorporation/ establishment	Attributable interest to the Group 30 June 2005	30 June 2006	30 June 2007	Date of this report	Issued and fully paid share/ registered capital as at the date of this report	Principal activities
Kunshan Hua Yi Copper Products Company Limited ("Kunshan Hua Yi")	*7, 11*	PRC	17 January 2004	100%	100%	100%	100%	US$5,000,000	Manufacturing and trading of copper products
Master Achieve Enterprises Limited	*2*	HK	1 September 2004	100%	100%	100%	100%	HK$1	Investment holding
Max Capital Investments Limited	*1*	BVI	2 November 1999	100%	100%	100%	100%	US$1	Investment holding
Memory Technology Limited	*1*	BVI	18 January 2000	100%	100%	100%	100%	US$1	Investment holding
Modern China Enterprises Limited	*2*	HK	12 July 2004	100%	100%	100%	100%	HK$1	Investment holding
Net Store Investments Limited	*1*	BVI	8 March 2000	100%	100%	100%	100%	US$1	Investment holding
On Legend Limited	*2*	HK	3 April 2000	100%	100%	100%	100%	HK$1,000	Provision of company secretarial services
Onmay Limited	*2*	HK	30 June 2004	100%	100%	100%	100%	HK$1	Provision of company secretarial services
People Magic Enterprises Limited	*1*	BVI	28 February 2001	100%	100%	100%	100%	US$50,000	Investment holding
Rong Sheng Technology Limited	*1*	BVI	2 August 2001	100%	100%	100%	100%	US$1	Investment holding
Shanghai Chau's Electrical Company Limited ("Shanghai Chau's")	*8*	PRC	9 August 1994	65%	65%	100%	100%	US$2,500,000	Manufacture and trading of cable and wire products
Sharp Glories Limited	*2*	HK	2 April 2001	100%	100%	100%	100%	HK$1	Investment holding
SIC Electronics Co. Ltd. ("SIC Electronics")	*9, 11*	PRC	14 May 2004	100%	100%	100%	100%	US$630,000	Manufacture and trading of wire harness and connectors
SIH Finance Company Limited	*2*	HK	6 July 2005	100%	100%	100%	100%	HK$1	Investments
Silver Mine Technology Limited	*1*	BVI	5 January 2000	100%	100%	100%	100%	US$1	Investment holding
SIT Electronics Co. Ltd. ("SIT Electronics")	*10*	Thailand	13 December 2005	–	100%	100%	100%	THAI BAHT 13,000,000	Manufacture and trading of wire harness and connectors

Name	*Notes*	Place of incorporation/ establishment/ operation	Date of incorporation/ establishment	Attributable interest to the Group 30 June 2005	30 June 2006	30 June 2007	Date of this report	Issued and fully paid share/ registered capital as at the date of this report	Principal activities
Skywalk Assets Management Limited ("Skywalk")	*1*	BVI	1 July 2004	100%	100%	100%	100%	US$1	Investment holding
Solar Year Profits Limited	*1*	BVI	18 January 2000	100%	100%	100%	100%	US$1	Investment holding
Solarbond Chemicals Co. Ltd.	*1*	BVI	17 November 2000	100%	100%	–	–	US$1	Investment holding
Solartech Enterprises Limited	*2*	HK	15 January 2003	100%	100%	100%	100%	HK$1,000	Investment holding
Solartech Investments Limited	*1*	BVI	22 October 1997	100%	100%	100%	100%	HK$1	Investment holding
Solartech Technology Limited	*2*	HK	17 September 2001	100%	100%	100%	100%	HK$1,000	Investment holding
Stocko Electronics Asia Pacific Pte. Limited	*2*	Singapore	12 December 1998	91%	91%	91%	91%	S$100,000	Trading in wire harness and connectors
TEM Electronics (M) Sdn. Bhd.	*2*	Malaysia	31 October 1995	100%	100%	100%	100%	RM500,000	Manufacture of wire harness and connectors
TEM Group Limited	*1*	BVI	2 January 1998	100%	100%	100%	100%	US$1	Investment holding
Universal Asia Enterprises Limited	*1*	BVI	21 February 2006	–	100%	100%	100%	US$1	Investment holding
Wah Yeung Capital Resources Limited	*1*	BVI	13 May 1997	100%	100%	100%	100%	US$1	Investment holding
Winteractive Development Limited	*1*	BVI	7 January 2004	100%	100%	100%	100%	US$1	Investment holding
Yellowstone Assets Limited	*1*	BVI	1 October 1997	100%	100%	100%	100%	US$1	Investment holding

Notes:

1. No audited financial statements have been prepared for these companies, which are incorporated in a country where there were no statutory audit requirements.

2. The audited financial statements of these companies for the Relevant Periods were audited by Deloitte Touche Tohmatsu and the audited financial statements were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certificate Public Accountants (the "HKICPA").

3. No audited financial statements have been prepared for these PRC companies during the Relevant Periods.

4. The audited financial statements for these companies for the Relevant Periods were audited by CCIF CPA Limited and the audited financial statements were prepared in accordance with HKFRSs issued by the HKICPA.

5. The audited financial statements of Dongguan Hua Yi, Dongguan Qiaozi and Dongguan Xinbao during the Relevant Periods were audited by 東莞市德正會計師事務所 and the audited financial statements were prepared in accordance with generally accepted accounting principles in the PRC ("PRC GAAP").

6. No audited financial statements of Shang Hang have been prepared for the year ended 2004 and 2005 and the audited financial statements for the year ended 2006 was audited by 上杭安永(聯合)會計師事務所 and prepared in accordance with PRC GAAP.

7. No audited financial statements of Kunshan Chau's and Kunshan Hua Yi have been prepared for the year ended 2004 and 2005 and the audited financial statements for the year ended 2006 was audited by Suzhou New Dahua Certified Public Accountants Co., Ltd and prepared in accordance with PRC GAAP.

8. No audited financial statements of Shanghai Chau's have been prepared for the year ended 2004 and the audited financial statements for the year ended 2005 and 2006 were audited by Shanghai Miugyu-Daya Certified Public Accountants and prepared in accordance with PRC GAAP.

9. The audited financial statements of SIC Electronics for the Relevant Periods were audited by 青島振青會計師事務所 and the audited financial statements were prepared in accordance with PRC GAAP.

10. No audited financial statements of SIT Electronics have been prepared for the year ended 2004 and the audited financial statements for the year ended 2005 and 2006 were audited by Phisit & Associates Accounting Law & Business and prepared in accordance with the relevant accounting principles and financial regulations applicable in Thailand.

11. They are wholly foreign owned enterprises.

12. They are equity joint ventures.

We have acted as auditors of the companies comprising the Group for each of the Relevant Periods other than the companies mentioned in notes 1 to 10 above for the Relevant Periods. We have audited the consolidated financial statements of the Company prepared in accordance with HKFRSs for the Relevant Periods.

We have examined the audited consolidated financial statements (the "Underlying Financial Statements") of the Group for the Relevant Periods. Our examination was made in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for each of the Relevant Periods set out in this report has been prepared based on the Underlying Financial Statements for the Relevant Periods for the purpose of preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Circular in which the report is included. It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 30 June 2005, 2006 and 2007 and of the consolidated results and cash flows of the Group for the Relevant Periods.

A. FINANCIAL INFORMATION

Consolidated Income Statements

		Continuing operations			Discontinued operations			Total		
	Notes	**1.4.2004 to 30.6.2005** *HK$'000*	**1.7.2005 to 30.6.2006** *HK$'000*	**1.7.2006 to 30.6.2007** *HK$'000*	**1.4.2004 to 30.6.2005** *HK$'000*	**1.7.2005 to 30.6.2006** *HK$'000*	**1.7.2006 to 30.6.2007** *HK$'000*	**1.4.2004 to 30.6.2005** *HK$'000*	**1.7.2005 to 30.6.2006** *HK$'000*	**1.7.2006 to 30.6.2007** *HK$'000*
Turnover	6	2,013,324	2,026,832	3,778,692	42,964	88,716	81,136	2,056,288	2,115,548	3,859,828
Cost of sales		(1,863,733)	(1,812,471)	(3,540,442)	(34,617)	(73,619)	(67,383)	(1,898,350)	(1,886,090)	(3,607,825)
Gross profit		149,591	214,361	238,250	8,347	15,097	13,753	157,938	229,458	252,003
Other income		26,258	16,493	29,555	2,857	3,281	1,264	29,115	19,774	30,819
Interest income		8,313	9,039	24,158	108	612	705	8,421	9,651	24,863
General and administrative expenses		(122,303)	(149,781)	(168,368)	(8,074)	(11,384)	(10,180)	(130,377)	(161,165)	(178,548)
Selling and distribution expenses		(21,236)	(17,362)	(32,669)	(3,200)	(4,339)	(2,871)	(24,436)	(21,701)	(35,540)
Change in fair value of derivative financial instruments	22	–	79,146	(269)	–	–	–	–	79,146	(269)
Change in fair value of conversion option of convertible notes		–	–	5,325	–	–	–	–	–	5,325
Allowance for doubtful debts		(23,491)	(3,956)	(5,884)	–	–	(181)	(23,491)	(3,956)	(6,065)
Impairment loss arising from adjustment to fair value less cost to sell	32	–	–	–	–	–	(28,000)	–	–	(28,000)
Impairment loss recognised in respect of property, plant and equipment	14	(14,000)	–	–	–	–	–	(14,000)	–	–
Finance costs	10	(28,676)	(34,219)	(64,132)	(3,458)	(2,346)	(2,742)	(32,134)	(36,565)	(66,874)
Impairment loss recognised in respect of goodwill		–	–	–	(16,212)	–	–	(16,212)	–	–
Share of result of an associate		289	236	148	–	–	–	289	236	148
Share of result of a jointly controlled entity		–	10	(369)	–	–	–	–	10	(369)
Discount on acquisition of additional interests in subsidiaries	35	–	892	4,581	–	–	–	–	892	4,581
Loss on disposal of a subsidiary	34	–	–	–	(7,502)	–	–	(7,502)	–	–
Gain (loss) on deemed disposal of a listed subsidiary	35	1,845	19,576	(1,067)	–	–	–	1,845	19,576	(1,067)
(Loss) profit before taxation	8	(23,410)	134,435	29,259	(27,134)	921	(28,252)	(50,544)	135,356	1,007
Taxation	11	(10,881)	(18,964)	(5,796)	377	(2,390)	(127)	(10,504)	(21,354)	(5,923)
(Loss) profit for the period/year		(34,291)	115,471	23,463	(26,757)	(1,469)	(28,379)	(61,048)	114,002	(4,916)
(Loss) profit attributable to:										
Equity holders of the Company		(33,902)	80,325	29,161	(26,757)	(1,469)	(28,379)	(60,659)	78,856	782
Minority interests		(389)	35,146	(5,698)	–	–	–	(389)	35,146	(5,698)
		(34,291)	115,471	23,463	(26,757)	(1,469)	(28,379)	(61,048)	114,002	(4,916)
Dividends	12									
paid		–	–	29,249	–	–	–	–	–	29,249
(Loss) earnings per share	13									
from continuing and discontinued operations										
– Basic								(18.95) HK cents	19.54 HK cents	0.16 HK cent
– Diluted								N/A	18.76 HK cents	0.26 HK cent
from continuing operations										
– Basic								(10.59) HK cents	19.90 HK cents	5.99 HK cents
– Diluted								N/A	19.10 HK cents	5.05 HK cents

Consolidated Balance Sheets

	Notes	2005 HK$'000	2006 HK$'000	2007 HK$'000
Non-current assets				
Property, plant and equipment	14	382,659	412,049	611,996
Prepaid lease payments for land – non-current portion	15	81,506	92,149	80,220
Prepayment for property, plant and equipment		–	151,519	22,648
Interests in associates	16	9,885	10,509	11,196
Interests in jointly controlled entities	17	–	17,485	18,023
Deferred tax assets	31	20	–	6,275
Goodwill	18	–	–	23,389
Notes receivable	23	55,000	–	–
Loans receivable	24	–	–	46,898
		529,070	683,711	820,645
Current assets				
Inventories	19	305,605	371,218	512,092
Debtors, other loans and receivables, deposits and prepayments	20	392,108	539,393	516,946
Bills receivable	21	5,605	34,717	62,733
Prepaid lease payments for land – current portion	15	2,010	2,173	1,801
Derivative financial assets	22	–	6,063	2,034
Notes receivable	23	–	55,000	55,000
Tax recoverable		–	1,249	454
Pledged deposits	38	48,331	67,180	96,650
Bank balances and cash	24	140,806	358,508	286,070
		894,465	1,435,501	1,533,780
Assets classified as held for sale	32	–	–	79,744
		894,465	1,435,501	1,613,524
Current liabilities				
Creditors, other advances and accrued charges	25	164,187	218,772	232,468
Bills payable	26	9,749	89,311	161,019
Tax payable		5,991	11,447	11,289
Obligations under finance leases	27	2,144	1,030	3,185
Bank overdrafts	28	1,315	280	–
Borrowings	28	366,030	543,105	717,719
Derivative financial liabilities	22	–	1,478	9,967
Convertible notes – debt component	29	–	–	72,128
Conversion option of convertible notes	29	–	12,492	7,167
		549,416	877,915	1,214,942
Liabilities associated with assets classified as held for sale	32	–	–	20,332
		549,416	877,915	1,235,274
Net current assets		345,049	557,586	378,250
Total assets less current liabilities		874,119	1,241,297	1,198,895

	Notes	2005 HK$'000 (Restated)	2006 HK$'000	2007 HK$'000
Non-current liabilities				
Obligations under finance leases	27	2,060	1,649	4,821
Borrowings	28	–	–	20,408
Convertible notes – debt component	29	–	66,068	–
Deferred consideration	33	–	–	16,297
Deferred tax liabilities	31	11,453	19,974	20,743
		13,513	87,691	62,269
		860,606	1,153,606	1,136,626
Capital and reserves				
Share capital	30	3,924	4,851	4,892
Reserves		752,852	936,240	933,534
Equity attributable to equity holders of the Company		756,776	941,091	938,426
Share option reserve of a listed subsidiary		–	3,565	4,128
Minority interests		103,830	208,950	194,072
		860,606	1,153,606	1,136,626

Consolidated Statement of Changes in Equity

	Equity attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Total HK$'000	Share option reserve of a listed subsidiary HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2004	2,730	42,171	587,012	(15,698)	4,474	166,708	–	787,397	–	14,026	801,423
Exchange differences arising on translation of foreign operations	–	–	–	(238)	–	–	–	(238)	–	–	(238)
Loss for the period	–	–	–	–	–	(60,659)	–	(60,659)	–	(389)	(61,048)
Total recognised income and expense for the period	–	–	–	(238)	–	(60,659)	–	(60,897)	–	(389)	(61,286)
Placement of new shares	1,194	31,695	–	–	–	–	–	32,889	–	–	32,889
Expenses incurred in relation to the issue of new shares	–	(2,613)	–	–	–	–	–	(2,613)	–	–	(2,613)
Minority interest arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	74,466	74,466
Partial disposal of a subsidiary	–	–	–	–	–	–	–	–	–	1,510	1,510
Partial disposal from placement of shares of a listed subsidiary	–	–	–	–	–	–	–	–	–	16,833	16,833
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	(2,616)	(2,616)
At 30 June 2005	3,924	71,253	587,012	(15,936)	4,474	106,049	–	756,776	–	103,830	860,606
– effect of changes in accounting policies	–	–	–	–	–	2,147	–	2,147	–	(853)	1,294
– as restated	3,924	71,253	587,012	(15,936)	4,474	108,196	–	758,923	–	102,977	861,900
Exchange differences arising on translation of foreign operations	–	–	–	11,655	–	–	–	11,655	–	318	11,973
Profit for the year	–	–	–	–	–	78,856	–	78,856	–	35,146	114,002
Total recognised income for the year	–	–	–	11,655	–	78,856	–	90,511	–	35,464	125,975
Placement of new shares	930	92,070	–	–	–	–	–	93,000	–	–	93,000
Repurchase of shares	(3)	(247)	–	–	–	–	–	(250)	–	–	(250)
Expenses incurred in relation to the issue of new shares	–	(2,876)	–	–	–	–	–	(2,876)	–	–	(2,876)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(2,499)	(2,499)
Recognition of equity-settled share based payments	–	–	–	–	–	–	1,783	1,783	3,565	–	5,348
Increase in minority interests arising from deemed disposal of a listed subsidiary	–	–	–	–	–	–	–	–	–	73,008	73,008
At 30 June 2006	4,851	160,200	587,012	(4,281)	4,474	187,052	1,783	941,091	3,565	208,950	1,153,606

	Equity attributable to equity holders of the Company										
	Share capital	Share premium	Contributed surplus	Exchange reserve	Statutory reserve	Retained profits	Share option reserve	Total	Share option reserve of a listed subsidiary	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Exchange differences arising on translation of foreign operations and share of reserve of jointly controlled entities	–	–	–	23,337	–	–	–	23,337	–	7,597	30,934
Profit (loss) for the year	–	–	–	–	–	782	–	782	–	(5,698)	(4,916)
Total recognised income for the year	–	–	–	23,337	–	782	–	24,119	–	1,899	26,018
Repurchase of shares	(9)	(912)	–	–	–	–	–	(921)	–	–	(921)
Issue of shares upon exercise of share options	50	1,150	–	–	–	–	–	1,200	–	–	1,200
Transfer upon exercise of share options	–	362	–	–	–	–	(362)	–	(438)	438	–
Forfeiture of share options	–	–	–	–	–	1,847	(646)	1,201	(1,201)	–	–
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	(10,539)	(10,539)
Recognition of equity-settled share based payments	–	–	–	–	–	–	985	985	2,202	–	3,187
Increase in minority interests arising from deemed disposal of a listed subsidiary	–	–	–	–	–	–	–	–	–	2,716	2,716
Dividends paid	–	–	–	–	–	(29,249)	–	(29,249)	–	–	(29,249)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	(9,392)	(9,392)
Appropriation	–	–	–	–	616	(616)	–	–	–	–	–
At 30 June 2007	4,892	160,800	587,012	19,056	5,090	159,816	1,760	938,426	4,128	194,072	1,136,626

The statutory reserve of the Group represents a reserve required by the relevant PRC laws applicable to the Company's PRC subsidiaries.

The contributed surplus represented the net balance after setting off accumulated losses of the Company as at 1 April 2002 from reduced share capital and cancelled share premium of the Company in accordance with the Company's capital reorganisation in September 2002.

Consolidated Cash Flow Statements

	1.4.2004 to 30.6.2005 HK$'000	1.7.2005 to 30.6.2006 HK$'000	1.7.2006 to 30.6.2007 HK$'000
Operating activities			
(Loss) profit before taxation	(50,544)	135,356	1,007
Adjustments for:			
Equity-settled share based payments	–	5,348	3,187
Loss on disposal of property, plant and equipment	108	595	3,242
Depreciation of property, plant and equipment	43,118	35,905	56,175
Charge of prepaid lease payment for land	1,999	2,334	2,183
Change in fair value of derivative financial instruments	–	(79,146)	269
Change in fair value of conversion option of convertible notes	–	–	(5,325)
Write down of inventories	2,993	7,925	3,798
Impairment loss on property, plant and equipment	14,000	–	–
Impairment loss recognised in respect of goodwill	16,212	–	–
Allowance for doubtful debts	23,491	3,956	6,065
Impairment loss arising from adjustment to fair value less cost to sell	–	–	28,000
Share of result of an associate	(289)	(236)	(148)
Share of result of a jointly controlled entity	–	(10)	369
Gain on disposal of subsidiaries	(797)	–	–
Gain (loss) on deemed disposal of a listed subsidiary	(1,845)	(19,576)	1,067
Discount on acquisition of additional interest in subsidiaries	–	(892)	(4,581)
Loss on disposal of a subsidiary	7,502	–	–
Interest income	(8,421)	(9,651)	(24,863)
Finance costs	32,134	36,565	66,874
Operating cash flows before movements in working capital	79,661	118,473	137,319
Increase in inventories	(57,652)	(73,538)	(150,589)
(Increase) decrease in debtors, other loans and receivables, deposits and prepayments	(62,756)	(109,907)	40,560
Increase in bills receivable	(1,672)	(29,112)	(28,016)
Increase (decrease) in creditors, other advances and accrued charges	11,442	55,599	(27,566)
(Decrease) increase in bills payable	(18,616)	79,562	78,021
Decrease in derivative financial instruments	–	75,855	12,249
Cash (used in) generated from operations	(49,593)	116,932	61,978
Hong Kong Profits Tax (paid) refunded	(448)	2,331	(3,701)
Taxation in other jurisdictions paid	(10,952)	(11,080)	(4,430)
Net cash (used in) generated from operating activities	(60,993)	108,183	53,847

	Notes	1.4.2004 to 30.6.2005 HK$'000	1.7.2005 to 30.6.2006 HK$'000	1.7.2006 to 30.6.2007 HK$'000
Investing activities				
Interest received		8,421	9,651	24,863
Purchase of property, plant and equipment		(25,442)	(56,766)	(101,459)
Additions of prepaid lease premium for land		–	(10,914)	(959)
Prepayment for property, plant and equipment		–	(192,495)	(22,648)
Proceeds from disposal of property, plant and equipment		100	–	3,277
Loan advanced to a third party		–	–	(15,338)
Acquisition of subsidiaries	*33*	4,642	–	(61,629)
Acquisition of additional interests in subsidiaries		–	(1,607)	(5,958)
Proceeds from disposal of subsidiaries	*33, 34*	13,292	–	–
Capital contribution to a jointly controlled entity		–	(17,475)	–
Increase in pledged deposits		(20,224)	(18,849)	(34,858)
Net cash used in investing activities		(19,211)	(288,455)	(214,709)
Financing activities				
Interest paid on bank borrowings		(26,930)	(35,421)	(56,450)
Interest paid on finance leases		(385)	(184)	(1,035)
Proceeds from issue of shares		32,889	93,000	1,200
Proceeds from issue of convertible notes		–	77,600	–
Proceeds from placement of shares of a listed subsidiary		24,098	92,584	–
Proceeds from issue of shares of a listed subsidiary		–	–	1,649
Expenses incurred in connection with the issue of shares		(8,033)	(2,876)	–
Repurchase of shares		–	(250)	(921)
Repayment of obligations under finance leases		(2,854)	(1,525)	(2,617)
New bank loans raised		573,792	481,683	610,966
Repayment of bank loans		(614,216)	(381,235)	(600,467)
New trust receipt loans raised		1,072,542	1,001,467	1,672,346
Repayment of trust receipt loans		(973,116)	(927,972)	(1,498,994)
Additions of other loans		1,163	737	1,937
Dividends paid		–	–	(29,249)
Dividends paid to minority shareholders		(2,616)	–	(9,392)
Net cash from financing activities		76,334	397,608	88,973

	1.4.2004 to 30.6.2005 *HK$'000* (Restated)	1.7.2005 to 30.6.2006 *HK$'000*	1.7.2006 to 30.6.2007 *HK$'000*
Net (decrease) increase in cash and cash equivalents	(3,870)	217,336	(71,889)
Cash and cash equivalents at beginning of the period/year	143,455	139,491	358,228
Effect of foreign exchange rate changes	(94)	1,401	4,456
Cash and cash equivalents at end of the period/year	139,491	358,228	290,795
Analysis of the balances of cash and cash equivalents			
Being:			
Bank balances and cash	140,806	358,508	286,070
Bank overdrafts	(1,315)	(280)	–
	139,491	358,228	286,070
Bank balances and cash attributable to assets classified as held for sale	–	–	4,725
	139,491	358,228	290,795

Notes to the Financial Information

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and No. 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong, respectively.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of cables and wires, copper rods, connectors and terminals, life-like plants and production, distribution and licensing of television programmes. Its associate is principally engaged in the manufacture of optical fibre cable and its major jointly controlled entity is engaged in the manufacture and sales of copper wires.

The Financial Information is presented in Hong Kong dollars, which is the functional currency of the Company.

During the period ended 30 June 2005, the Directors resolved to change the financial year end date of the Company and its subsidiaries (the "Group") from 31 March to 30 June in order to allow the Group to prepare and update its financial results on semi-annual basis as most members of the Group are in the People's Republic of China (the "PRC") having a year end date of 31 December. As a result, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group covered the 15 months period ended 30 June 2005.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies of the Group have been consistently applied during the Relevant Periods except for Hong Kong Accounting Standards ("HKAS") 39 "Financial Instruments: Recognition and Measurement", Hong Kong Financial Reporting Standards ("HKFRS") 2 "Share-based Payment" and HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which were adopted by the Group for the Group's accounting period beginning on or after 1 July 2005.

Financial instruments

HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Under HKAS 39, financial assets are classified as "financial assets at fair values through profit or loss", "available-for-sale financial assets, "loans and receivables', or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are required. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

At 30 June 2005, the Group's derivative financial instruments, which mainly comprised future contracts, foreign exchange forward contracts and interest rate swaps, were previously recorded off balance sheet. Realised gain or loss of these derivative financial instruments were recognised in the income statement on settlement date, except for net interest on interest rate swaps, which were previously accounted for on an accrual basis.

From 1 July 2005 onwards, HKAS 39 requires derivative financial instruments that are within the scope of HKAS 39 to be carried at fair value at each balance sheet date, regardless of whether they are designated as effective hedging instruments. Derivatives (including embedded derivatives separately accounted for from non-derivative host contracts) are deemed as held for trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. Derivative financial instruments that do not qualify for hedge accounting are deemed as investments held for trading. Changes in fair value of such derivative financial instruments are recognised in profit or loss as they arise. The Group has applied the relevant transitional provisions in HKAS 39. (See note 2A for the financial impact).

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flow expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualified for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1 July 2005. As a result, the Group's bills receivable with full recourse which were derecognised prior to 1 July 2005 have not been restated. As at 30 June 2006, the Group's bills receivable with recourse have not been derecognised. Instead, the related borrowings of HK$24,696,000 have been recognised on the balance sheet date. The change has had no material effect on the results for the year ended 30 June 2006.

Share-based payments

For the year ended 30 June 2006, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of employees' and other eligible parties' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not account for the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 July 2005. In relation to share options granted before 1 July 2005, the Group has not applied HKFRS 2 to share options granted after 7 November 2002 that had vested before 1 July 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and fully vested before 1 July 2005. No prior period adjustments are made for share options that were granted after 7 November 2002 and fully vested before 1 July 2005. For share options that were granted by the listed subsidiary on 1 April 2005, 11,806,000 out of 12,956000 share options had been vested before 1 July 2005 and no prior period adjustments are made accordingly. For the remaining 1,150,000 share options which have not been vested on 1 July 2005, the Group considered the effect is not significant and no prior period adjustments are made. For the share options that were granted during the year ended 30 June 2006, the fair value of share options has been expensed in the income statement over the vesting period. (See note 2A for the financial impact).

Non-current assets held for sale and discontinued operations

The Group applied HKFRS 5 prospectively for the accounting period beginning on 1 July 2005.

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

(i) The effects of adopting HKAS 39 and HKFRS 2 on the results for the year ended 30 June 2006 are as follows:

	Effect of adopting HKAS 39	Effect of adopting HKFRS 2	Total
	HK$'000	*HK$'000*	*HK$'000*
(Decrease) increase in profit for the year:			
General and administrative expenses	–	(5,348)	(5,348)
Changes in fair value of derivative financial instruments	4,585	–	4,585
Profit before taxation	4,585	(5,348)	(763)
Taxation	(802)	–	(802)
Profit for the year	3,783	(5,348)	(1,565)

(ii) The cumulative effects of the changes in accounting policies on the consolidated balance sheet as at 30 June 2005 and 1 July 2005 are summarised below:

	As at 30 June 2005 (Before HKAS 39 adjustments)	HKAS 39 Adjustments	As at 1 July 2005 (restated)
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	382,659	–	382,659
Prepaid lease payments for land	83,516	–	83,516
Derivative financial assets	–	4,866	4,866
Derivative financial liabilities	–	(3,572)	(3,572)
Deferred tax liabilities	(11,453)	–	(11,453)
	454,722	1,294	456,016
Retained profits	106,049	2,147	108,196
Minority interests	103,830	(853)	102,977
Total	209,879	1,294	211,173

2B. POTENTIAL IMPACT ARISING ON THE NEW OR REVISED ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not early applied the following new standards, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment[3]
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions[4]
HK(IFRIC)-INT 12	Service Concession Agreements[5]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[6]
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[5]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 November 2006
4 Effective for annual periods beginning on or after 1 March 2007
5 Effective for annual periods beginning on or after 1 January 2008
6 Effective for annual periods beginning on or after 1 July 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The principal accounting policies adopted are as follows:

Basis of consolidation

The Financial Information incorporates the consolidated financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Joint ventures

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("Discount on acquisition")

A discount on acquisition arising on an acquisition of a subsidiary represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combinations. Discount on acquisition, after reassessment, is recognised immediately in profit or loss.

Acquisition of additional interests in subsidiaries is recorded based on the book value of the net assets attributable to the interests. The excess of the carrying amounts of net assets attributable to the interests over the cost of acquisition, after reassessment, is recognised as discount on acquisition.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of returns and discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Borrowing costs

All borrowing costs are expensed and included in finance costs in the income statement in the period in which they are incurred.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress and leasehold improvement over their estimated useful lives.

Properties in the course of construction for production, rental or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases and leasehold improvements are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Prepaid lease payments on land use right

The costs of prepaid lease payments on land use rights are amortised on a straight-line basis over the term of the land use right.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes consolidated income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Foreign currencies

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised as profit or loss in the period in which they arise. Exchange differences arising on the translation of non-monetary items carried at fair value are included as profit or loss.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised as profit or loss in the period in which the foreign operation is disposed of.

Retirement benefits schemes

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense when the employees have rendered services entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets mainly include loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including debtors, other loans and receivables, bills receivable, notes receivable and bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment loss. An impairment loss is recognised as profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by an entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Bank borrowings are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Convertible notes

Convertible notes issued by the Company are recognised as hybrid financial instruments in the form of financial liability with embedded derivatives. A conversion option which will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the conversion option components are recognised at fair value and the liability component of convertible notes is recognised as the residual amount after separating the conversion option derivative.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The embedded conversion option is accounted for in accordance with the accounting policy for embedded derivatives described below.

Other financial liabilities

Other financial liabilities including creditors, bills payable and deferred consideration are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivatives not qualified for hedging

Derivatives that do not qualify for hedge accounting are deemed as financial assets/financial liabilities held for trading and are measured at fair value with fair value changes recognised in profit or loss except for derivative instruments which are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured and such derivative instruments are stated at cost less impairment, if applicable.

Prior to 1 July 2005, the Group's derivative financial instruments, which mainly comprised future contracts, foreign exchange forward contracts and interest rate swaps, were previously recorded off balance sheet. Realised gain or loss of these derivative financial instruments were recognised in the income statement on settlement date, except for net interest on interest rate swaps, which were previously accounted for on an accrual basis.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss.

Derivatives financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at each subsequent reporting date.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company and others proving similar services

The fair value of share options has been recognised in the income statement as share based payments.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received unless that fair value cannot be estimated reliably, in which case, the fair value is estimated by reference to the fair value of the share options. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition of assets. A corresponding adjustment has been made to the share option reserve.

Prior to application of HKFRS 2, the Group did not account for the financial effect of the share options until they were exercised.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future in preparing accounting estimates. The resulting accounting estimates may not equal to the actual results. The key estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as below.

Fair value estimation

The fair value of conversion option of convertible notes is estimated by reference to the valuations carried out by professional valuers. Such valuation was based on assumptions using available market data. Any change in the assumptions as set out in note 29 will have an impact to the financial position in future.

5. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The Group's major financial instruments include debtors, other loans and receivables, deposits, bills receivable, derivative financial assets and liabilities, creditors, bills payable, borrowings, conversion option of convertible notes, convertible notes – debt component and deferred consideration. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

Most of the Group's assets and liabilities are denominated in Hong Kong dollars, United States dollars, Renminbi and Brazil Real, which are the functional currencies of the respective group companies. The Group does not expect any significant exposure to foreign currency risks.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

Except for the loans receivable from a third party, the Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers. The management considered that the credit risk on loans receivable is not significant as it is secured by the plant and machinery of the third party.

The credit risk on liquid funds is limited because the counterparts are banks with high credit-ratings assigned by international credit-rating agencies.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk which relates primarily to the Group's floating rate bank borrowings notes receivable, pledged deposits and bank balances and the details of these financial instruments are disclosed in respective notes. Management closely monitors cash flow interest rate risk and will consider hedging significant interest rate exposure should the need arise. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of the financial instruments will fluctuate because of changes in market interest rates.

The Group's fair value interest rate risk relates primarily to zero coupon convertible bonds and loans receivable. The management will consider hedging significant fair value interest rate exposure should the need arise.

Copper price risk

The Group is exposed to price risk of copper rods, which are the major raw materials for the production process. To mitigate the copper price risk, the Group has entered into future copper contracts to hedge against the fluctuations of copper price. Details of the copper future contracts outstanding at the respective balance sheet dates are set out in note 22.

b. Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of copper future contracts are determined based on the quoted market prices and the fair values of interest rate swap and foreign exchange forward contracts are determined by banks or financial institutions at the balance sheet date.

- the fair value of conversion option of convertible notes is determined based on the Black Scholes Option pricing model with the major assumptions set out in note 29.

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their corresponding fair values except for the liability component of the convertible bonds as mentioned in note 29.

6. TURNOVER

Turnover represents the amounts received and receivable for goods sold to outside customers, net of returns, discounts and sales related taxes during the year.

7. SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organised into five principal operating divisions – manufacture and trading of cables and wires, copper rods, connectors and terminals and manufacture and trading of life-like plants and production, distribution and licensing of television programmes.

Segment information about these businesses is presented below as primary segment information.

As detailed in note 32, on 21 May 2007, the Company announced a plan to dispose of its business of manufacture and trading of life-like plants. Accordingly, the business segment of manufacture and trading of life-like plants was classified as discontinued operation, and the comparative figures of this segment were re-classified from continuing operations to discontinued operation.

For the year ended 30 June 2007, the Group ceased all operations relating to the production, distribution and licensing of television programmes. The related inventories, which were master tapes of television programmes, have been fully sold or written off and no further sales transaction will be generated from this business segment. Accordingly, the business segment of production, distribution and licensing of television programmes was classified as discontinued operation, and the comparative figures of this segment were re-classified from continuing operations to discontinued operation.

Segment information about these businesses is presented below.

For the period from 1 April 2004 to 30 June 2005

	Continuing operations					Discontinued operations				
	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER										
External sales	807,486	1,041,881	147,708	16,249	2,013,324	40,710	2,254	42,964	–	2,056,288
Inter-segment sales	11,765	191,329	679	–	203,773	–	–	–	(203,773)	–
Total sales	819,251	1,233,210	148,387	16,249	2,217,097	40,710	2,254	42,964	(203,773)	2,056,288
Inter-segment sales are charged at cost.										
RESULT										
Segment result	(33,033)	40,587	13,608	(18,803)	2,359	2,310	(2,519)	(209)		2,150
Unallocated corporate income					9,111			247		9,358
Unallocated corporate expenses					(8,338)			–		(8,338)
Finance costs					(28,676)	(146)	(3,312)	(3,458)		(32,134)
Impairment loss recognised in respect of goodwill					–	(16,212)	–	(16,212)		(16,212)
Share of results of associates	289	–	–	–	289			–		289
Loss on disposal of a subsidiary					–	(7,502)	–	(7,502)		(7,502)
Gain on deemed disposal of a listed subsidiary	–	1,845	–	–	1,845			–		1,845
Loss before taxation					(23,410)			(27,134)		(50,544)
Taxation					(10,881)			377		(10,504)
Loss for the period					(34,291)			(26,757)		(61,048)

At 30 June 2005

	Continuing operations					Discontinued operations			
	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET									
Assets									
Segment assets	538,213	410,007	50,483	48,771	1,047,474	100,842	2,217	103,059	1,150,533
Interests in associates									9,885
Unallocated corporate assets									263,117
Consolidated total assets									1,423,535
Liabilities									
Segment liabilities	57,340	30,328	16,112	10,431	114,211	19,225	23,829	43,054	157,265
Unallocated corporate liabilities									405,664
Consolidated total liabilities									562,929

Other Information

	Continuing operations					Discontinued operations				
	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	15,329	7,151	2,791	1,731	27,002	1,222	–	1,222	100	28,324
Depreciation	21,840	10,357	2,594	5,037	39,828	3,183	99	3,282	8	43,118
Allowance for (reversal of) doubtful debts	23,716	(3,825)	–	3,586	23,477	14	–	14	–	23,491
Write down of inventories	2,993	–	–	–	2,993	–	–	–	–	2,993
Impairment loss recognised in respect of property, plant and equipment	–	–	–	14,000	14,000	–	–	–	–	14,000
Impairment loss recognised in respect of goodwill	–	–	–	–	–	(16,212)	–	(16,212)	–	(16,212)

For the year ended 30 June 2006

	Continuing operations					Discontinued operations				
	Cables and wires	**Copper rods**	**Connectors and terminals**	**Other**	**Total**	**Life-like plants**	**Production, distribution and licensing of television programmes**	**Total**	**Elimination**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER										
External sales	653,271	1,209,150	139,897	24,514	2,026,832	87,605	1,111	88,716	–	2,115,548
Inter-segment sales	94,460	215,300	1,284	–	311,044	–	–	–	(311,044)	–
Total sales	747,731	1,424,450	141,181	24,514	2,337,876	87,605	1,111	88,716	(311,044)	2,115,548

Inter-segment sales are charged at cost.

	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Elimination	Consolidated
RESULT										
Segment result	9,837	147,202	5,372	(312)	162,099	839	1,816	2,655		164,754
Unallocated corporate income					11,662			612		12,274
Unallocated corporate expenses					(25,821)			–		(25,821)
Finance costs					(34,219)			(2,346)		(36,565)
Share of results of associates	236	–	–	–	236			–		236
Share of results of jointly controlled entities	–	10	–	–	10			–		10
Discount on acquisition of subsidiaries					892			–		892
Gain on deemed disposal of subsidiaries					19,576			–		19,576
Profit before taxation					134,435			921		135,356
Taxation					(18,964)			(2,390)		(21,354)
Profit (loss) for the year					115,471			(1,469)		114,002

At 30 June 2006

	Continuing operations					Discontinued operations			
	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET									
Assets									
Segment assets	632,001	758,254	66,491	43,801	1,500,547	90,682	1,469	92,151	1,592,698
Interests in associates	10,509	–	–	–	10,509	–	–	–	10,509
Interests in jointly controlled entities	17,485	–	–	–	17,485	–	–	–	17,485
Unallocated corporate assets									498,520
Consolidated total assets									2,119,212
Liabilities									
Segment liabilities	111,374	144,800	23,248	2,357	281,779	14,399	4,379	18,778	300,557
Unallocated corporate liabilities									665,049
Consolidated total liabilities									965,606

Other Information

	Continuing operations					Discontinued operations			
	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	23,687	29,296	2,813	714	56,510	256	–	256	56,766
Depreciation	21,315	8,073	2,522	2,475	34,385	1,508	12	1,520	35,905
Allowance for doubtful debts	3,956	–	–	–	3,956	–	–	–	3,956
Write down of inventories	7,925	–	–	–	7,925	–	–	–	7,925

For the year ended 30 June 2007

	Continuing operations					Discontinued operations				
	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER										
External sales	739,232	2,363,605	641,032	34,823	3,778,692	81,013	123	81,136	–	3,859,828
Inter-segment sales	130,429	303,298	394	–	434,121	–	–	–	(434,121)	–
Total sales	869,661	2,666,903	641,426	34,823	4,212,813	81,013	123	81,136	(434,121)	3,859,828

Inter-segment sales are charged at cost.

	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Elimination	Consolidated
RESULT										
Segment result	1,663	49,754	30,861	2,165	84,443	2,336	(551)	1,785		86,228
Unallocated corporate income					25,884			705		26,589
Unallocated corporate expenses					(25,554)			–		(25,554)
Impairment loss arising from adjustment to fair value less cost to sell					–	(28,000)	–	(28,000)		(28,000)
Finance costs					(64,132)			(2,742)		(66,874)
Change in fair value of conversion option of convertible notes					5,325			–		5,325
Share of results of associates	148	–	–		148			–		148
Share of results of jointly controlled entities	–	(369)	–		(369)			–		(369)
Discount on acquisition of subsidiaries					4,581			–		4,581
Loss on deemed disposal of a listed subsidiary					(1,067)			–		(1,067)
Profit (loss) before taxation					29,259			(28,252)		1,007
Taxation					(5,796)			(127)		(5,923)
Profit (loss) for the year					23,463			(28,379)		(4,916)

At 30 June 2007

	Continuing operations					Discontinued operations			
	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET									
Assets									
Segment assets	800,989	719,422	236,139	40,829	1,797,379	74,930	938	75,868	1,873,247
Interests in associates	11,196	–	–	–	11,196			–	11,196
Interests in jointly controlled entities	–	18,023	–	–	18,023			–	18,023
Unallocated corporate assets									531,703
Consolidated total assets									2,434,169
Liabilities									
Segment liabilities	114,533	180,016	81,952	2,353	378,854	20,332	10,513	30,845	409,699
Unallocated corporate liabilities									887,844
Consolidated total liabilities									1,297,543

Other Information

	Continuing operations					Discontinued operations			
	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution and licensing of television programmes	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	144,448	67,088	14,190	500	226,226	502	–	502	226,728
Depreciation	27,000	13,095	11,749	2,074	53,918	2,253	4	2,257	56,175
Allowance for doubtful debts	(1,014)	6,787	111	–	5,884	181	–	181	6,065
Write down of inventories	2,039	–	1,336	–	3,375	–	423	423	3,798
Impairment loss arising from adjustment to fair value loss cost to sell	–	–	–	–	–	(28,000)	–	(28,000)	(28,000)

Geographical segments

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

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

	Continuing operations			Discontinued operations			Total turnover by geographical market		
	1.4.2004 to 30.6.2005	**1.7.2005 to 30.6.2006**	**1.7.2006 to 30.6.2007**	**1.4.2004 to 30.6.2005**	**1.7.2005 to 30.6.2006**	**1.7.2006 to 30.6.2007**	**1.4.2004 to 30.6.2005**	**1.7.2005 to 30.6.2006**	**1.7.2006 to 30.6.2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
PRC	1,499,049	1,704,186	2,824,541	2,254	–	–	1,501,303	1,704,186	2,824,541
America	188,238	108,255	617,576	34,569	79,843	72,703	222,807	188,098	690,279
Europe	37,129	32,649	42,779	3,894	5,364	6,134	41,023	38,013	48,913
Hong Kong	92,173	36,536	97,444	2,202	3,220	2,255	94,375	39,756	99,699
Other Asian regions	196,735	145,206	196,352	45	289	44	196,780	145,495	196,396
	2,013,324	2,026,832	3,778,692	42,964	88,716	81,136	2,056,288	2,115,548	3,859,828

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets			Additions to property plant and equipment		
	2005	**2006**	**2007**	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
PRC	754,548	1,092,534	1,385,101	23,623	47,123	202,250
Hong Kong	471,866	486,388	429,931	1,849	7,253	10,375
Americas	35,268	49,108	218,565	61	–	12,869
Other Asian regions	66,491	59,922	63,300	2,791	2,390	1,234
	1,328,173	1,687,952	2,096,897	28,324	56,766	226,728

8. (LOSS) PROFIT BEFORE TAXATION

	Continuing operations			Discontinued operations			Total		
	1.4.2004 to 30.6.2005	1.7.2005 to 30.6.2006	1.7.2006 to 30.6.2007	1.4.2004 to 30.6.2005	1.7.2005 to 30.6.2006	1.7.2006 to 30.6.2007	1.4.2004 to 30.6.2005	1.7.2005 to 30.6.2006	1.7.2006 to 30.6.2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(Loss) profit before taxation has been arrived at after charging:									
Auditors' remuneration									
Current year	1,858	2,246	2,281	300	300	340	2,158	2,546	2,621
Underprovision in prior years	–	74	166	–	–	–	–	74	166
	1,858	2,320	2,447	300	300	340	2,158	2,620	2,787
Depreciation of property, plant and equipment									
Owned assets	39,130	33,850	52,979	3,282	1,520	2,257	42,412	35,370	55,236
Assets held under finance leases	706	535	939	–	–	–	706	535	939
	39,836	34,385	53,918	3,282	1,520	2,257	43,118	35,905	56,175
Charge of prepaid lease payment for land	1,739	1,943	1,720	260	391	463	1,999	2,334	2,183
Operating lease rentals in respect of rented premises	4,281	5,261	4,971	1,444	416	481	5,725	5,677	5,452
Research and development expenditure	3,579	2,158	208	–	–	–	3,579	2,158	208
Loss on disposal of property, plant and equipment	108	595	3,242	–	–	–	108	595	3,242
Write down of inventories	2,993	7,925	3,375	–	–	423	2,993	7,925	3,798
Provision for compensation to labour *(note)*	–	–	4,737	–	–	–	–	–	4,737
Share-base payment									
– employees	–	243	145	–	–	–	–	243	145
– others	–	5,105	3,042	–	–	–	–	5,105	3,042
	–	5,348	3,187	–	–	–	–	5,348	3,187
Staff costs including directors' emoluments	107,065	85,497	122,104	7,540	9,392	9,821	114,605	94,889	131,925
Share-based payment expense – employees only	–	243	145	–	–	–	–	243	145
	107,065	85,740	122,249	7,540	9,392	9,821	114,605	95,132	132,070
and after crediting:									
Exchange gain	–	4,973	2,726	–	49	144	–	5,022	2,870
Interest on bank deposits	4,113	4,407	19,336	108	612	705	4,221	5,019	20,041
Interest on notes receivable	4,200	4,632	4,822	–	–	–	4,200	4,632	4,822

Note: For the year end 30 June 2007, the Group has recognised in the consolidated income statement an expense of HK$4,737,000 (year ended 30 June 2006: nil; period ended 30 June 2005: nil) in respect of a provision for claims relating to dispute of labour compensation with the labour union for a Brazilian subsidiary (included in the cost of sales of the continuing operations). The charge is estimated based on legal counsel's opinion and after considering the likelihood of actual payment.

9. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Particulars of the emoluments of the directors and the five highest paid individuals for the Relevant Periods were as follows:

Name of Director	Fees	Salaries and other benefits	Retirement benefit scheme contributions	1.4.2004 to 30.6.2005 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Chau Lai Him	–	3,960	15	3,975
Mr. Zhou Jin Hua	–	2,417	–	2,417
Mr. Lau Man Tak	–	1,760	15	1,775
Mr. Liu Jiu Rong	–	119	–	119
Mr. Lo Wai Ming	120	–	–	120
Mr. Chung Kam Kwong	101	–	–	101
Total	221	8,256	30	8,507

Name of Director	Fees	Salaries and other benefits	Retirement benefit scheme contributions	1.7.2005 to 30.6.2006 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Chau Lai Him	–	5,027	18	5,045
Mr. Zhou Jin Hua	–	1,200	–	1,200
Mr. Lau Man Tak	–	1,418	12	1,430
Mr. Liu Jiu Rong	–	102	–	102
Mr. Lo Wai Ming	96	–	–	96
Mr. Chung Kam Kwong	160	–	–	160
Total	256	7,747	30	8,033

Name of Director	Fees	Salaries and other benefits	Discretionary performance bonus	Retirement benefit scheme contributions	1.7.2006 to 30.6.2007 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Chau Lai Him	–	5,111	6,102	19	11,232
Mr. Zhou Jin Hua	–	1,357	–	–	1,357
Mr. Lau Man Tak	–	3,010	150	9	3,169
Mr. Liu Jin Rong	–	134	–	–	134
Mr. Lo Chao Ming	53	–	–	–	53
Mr. Lo Wai Ming	96	–	–	–	96
Mr. Chung Kam Kwong	160	–	–	–	160
Mr. Chow Kin Ming	–	1,075	–	7	1,082
Total	309	10,687	6,252	35	17,283

The five highest paid individuals of the Group include three, three and four executive directors of the Company for the fifteen months ended 30 June 2005 and for the year ended 30 June 2006 and 2007 respectively, details of whose emoluments are included above. The emoluments of the remaining two, two and one individual(s) were as follows:

	1.4.2004 to 30.6.2005	**1.7.2005 to 30.6.2006**	**1.7.2006 to 30.6.2007**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	1,795	1,442	1,446
Discretionary performance bonus	76	91	638
Contributions to retirement benefits schemes	125	114	873
	1,996	1,647	2,957

Emoluments of these individuals were within the following bands:

	Number of employees		
	1.4.2004 to 30.6.2005	**1.7.2005 to 30.6.2006**	**1.7.2006 to 30.6.2007**
Nil – HK$1,000,000	1	2	–
HK$1,000,001 – HK$1,500,000	1	–	–
HK$2,500,001 – HK$3,000,000	–	–	1

10. FINANCE COSTS

	Continuing operations			**Discontinued operations**			**Total**		
	1.4.2004 to 30.6.2005	**1.7.2005 to 30.6.2006**	**1.7.2006 to 30.6.2007**	**1.4.2004 to 30.6.2005**	**1.7.2005 to 30.6.2006**	**1.7.2006 to 30.6.2007**	**1.4.2004 to 30.6.2005**	**1.7.2005 to 30.6.2006**	**1.7.2006 to 30.6.2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	28,291	33,075	57,037	3,458	2,346	2,742	31,749	35,421	59,779
Interest on finance leases	385	184	1,035	–	–	–	385	184	1,035
Imputed interest on convertible notes	–	960	6,060	–	–	–	–	960	6,060
	28,676	34,219	64,132	3,458	2,346	2,742	32,134	36,565	66,874

11. TAXATION

	Continuing operations			Discontinued operations			Total		
	1.4.2004 to 30.6.2005	1.7.2005 to 30.6.2006	1.7.2006 to 30.6.2007	1.4.2004 to 30.6.2005	1.7.2005 to 30.6.2006	1.7.2006 to 30.6.2007	1.4.2004 to 30.6.2005	1.7.2005 to 30.6.2006	1.7.2006 to 30.6.2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong Profits Tax									
Current period/year	–	2,749	1,273	–	2,390	127	–	5,139	1,400
(Over)underprovision in respect of prior period/years	38	1,760	976	(345)	–	–	(307)	1,760	976
Taxation in other jurisdictions									
Current period/year	9,152	5,640	8,420	–	–	–	9,152	5,640	8,420
(Over)underprovision in respect of prior period/years	(1,012)	274	(3,242)	(32)	–	–	(1,044)	274	(3,242)
	8,178	10,423	7,427	(377)	2,390	127	7,801	12,813	7,554
Deferred taxation *(Note 31)*									
Current period/year	2,703	8,541	(1,631)	–	–	–	2,703	8,541	(1,631)
	10,881	18,964	5,796	(377)	2,390	127	10,504	21,354	5,923

Hong Kong Profits Tax is calculated at 17.5% (year ended 30 June 2006: 17.5%; period ended 30 June 2005: 17.5%) of the estimated assessable profit for the Relevant Periods.

Taxation in other jurisdictions is calculated at the rates applicable in the respective jurisdictions.

The tax charge for the Relevant Periods can be reconciled to the (loss) profit before taxation in the income statement as follows:

	1.4.2004 to 30.6.2005	1.7.2005 to 30.6.2006	1.7.2006 to 30.6.2007
	HK$'000	*HK$'000*	*HK$'000*
(Loss) profit before taxation	(50,544)	135,356	1,007
Tax at the domestic income tax rate of 27%	(13,647)	36,546	272
Tax effect of expenses not deductible for tax purpose	24,389	1,273	15,161
Tax effect of income not taxable for tax purposes	(2,651)	(8,216)	(6,749)
Tax effect of tax losses not recognised	1,815	–	609
Utilisation of tax losses previously not recognised	(3,702)	(6,281)	(923)
Income tax at concessionary rate	4,375	–	–
(Over)underprovision in respect of prior years	(1,351)	2,034	(2,266)
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,069	(3,873)	(241)
Tax effect on share of result of associates	(78)	(64)	(40)
Tax effect of share of result of jointly controlled entities	–	–	100
Others	(715)	(65)	–
Tax charge for the period/year	10,881	21,354	5,923

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. Pursuant to the approvals obtained from the relevant PRC tax authorities, the major subsidiaries in Dongguan, Mainland China, can enjoy tax benefits and are entitled to the PRC enterprise income tax of 24% and local income tax of 3% and therefore, subject to a tax rate of 27% as opposed to the normal statutory rate of 33%.

12. DIVIDENDS

	1.4.2004 to 30.6.2005	1.7.2005 to 30.6.2006	1.7.2006 to 30.6.2007
	HK$'000	*HK$'000*	*HK$'000*
Dividends recognised as a distribution during the period/year:			
Final dividend paid in respect of year 2003/2004: Nil; 2004/2005: Nil; 2005/2006: HK$0.04 per share	–	–	19,466
Interim dividend paid in respect of year 2004/2005: Nil; 2005/2006: Nil; 2006/2007: HK$0.02 per share	–	–	9,783
	–	–	29,249
Proposed final dividend in respect of year 2004/2005: Nil; 2005/2006: HK$0.04 per share; 2006/2007: Nil	–	19,403	–

13. (LOSS) EARNINGS PER SHARE

For continuing and discontinued operations

The calculation of the (loss) earnings per share is based on the following data:

	1.4.2004 to 30.6.2005	1.7.2005 to 30.6.2006	1.7.2006 to 30.6.2007
	HK$'000	*HK$'000*	*HK$'000*
Results for the period/year attributable to equity holders of the Company for the purpose of basic earnings per share	(60,659)	78,856	782
Imputed interest on convertible notes	–	960	6,060
Change in fair value of conversion option of convertible notes	–	–	(5,325)
(Loss) earnings for the purpose of diluted earnings per share	(60,659)	79,816	1,517

		Number of shares	
	1.4.2004 to 30.6.2005	1.7.2005 to 30.6.2006	1.7.2006 to 30.6.2007
Weighted average number of ordinary shares for the purpose of basic earnings per share	320,138,287	403,575,321	486,852,609
Effect of dilutive potential ordinary shares:			
Share options	–	11,908,534	34,965,647
Convertible notes	–	10,050,311	70,545,455
Weighted average number of ordinary shares for the purpose of diluted earnings per share	320,138,287	425,534,166	592,363,711

No diluted loss per share for the fifteen months ended 30 June 2005 is presented as the exercise of potential ordinary shares in respect of share options would result in a reduction in the loss per share from continuing operations.

For continuing operations

The calculation of the (loss) earnings per share from continuing operations are based on the following data:

	1.4.2004 to 30.6.2005 *HK$'000*	1.7.2005 to 30.6.2006 *HK$'000*	1.7.2006 to 30.6.2007 *HK$'000*
(Loss) earnings for the purpose of basic earnings per share from continuing operations	(33,902)	80,325	29,161
Imputed interest on convertible notes	–	960	6,060
Change in fair value of conversion option of convertible notes	–	–	(5,325)
(Loss) earnings for the purposes of diluted earnings per share for continuing operations	(33,902)	81,285	29,896

No diluted loss per share for the fifteen months ended 30 June 2005 is presented as the exercise of potential ordinary shares in respect of share options would result in a reduction in the loss per share from continuing operations.

The denominators used are the same as those detailed above for basic and diluted earnings per share from continuing and discontinued operations.

From discontinued operations

Basic loss per share from discontinued operations for the fifteen months ended 30 June 2005, for the year ended 30 June 2006 and 2007 is 8.36 HK cents, 0.36 HK cent and 5.83 HK cents respectively, and diluted loss per share for discontinued operations for the fifteen months ended 30 June 2005, for the year ended 30 June 2006 and 2007 is Nil, 0.34 HK cent and 4.79 HK cents respectively based on the loss for the fifteen months ended 30 June 2005, for the year ended 30 June 2006 and 2007 of HK$26,757,000, HK$1,469,000 and HK$28,379,000 respectively. No diluted loss per share for the fifteen months ended 30 June 2005 is presented as the exercise of potential ordinary shares in respect of share options would result in a reduction in the loss per share from continuing operations. The denominators used are the same as those detailed above for basic and diluted loss per share from continuing and discontinued operations.

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Leasehold improvements	Equipment, furniture and fixtures	Plant and machinery	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP							
COST OR VALUATION							
At 1 April 2004	–	203,386	17,266	62,456	331,459	16,030	630,597
Currency realignment	–	–	(2)	(15)	(25)	–	(42)
Additions	14,944	2,284	1,066	2,838	5,363	1,829	28,324
Acquired on acquisition of subsidiaries	–	47,540	–	2,023	8,088	172	57,823
Disposals	–	–	(4)	(47)	–	(934)	(985)
Disposed on disposal of subsidiaries	–	(18,618)	–	(300)	–	–	(18,918)
At 30 June 2005	14,944	234,592	18,326	66,955	344,885	17,097	696,799
Currency realignment	586	7,834	525	1,393	5,822	144	16,304
Additions	28,193	6,225	6,666	2,938	8,597	4,147	56,766
Reclassification	–	–	–	2,439	(2,439)	–	–
Disposals	–	–	–	–	–	(2,625)	(2,625)
At 30 June 2006	43,723	248,651	25,517	73,725	356,865	18,763	767,244
Currency realignment	2,105	11,048	1,150	3,028	17,547	1,030	35,908
Acquisition of subsidiaries	–	–	–	3,642	42,292	660	46,594
Additions	55,171	31,482	5,596	8,230	119,064	7,185	226,728
Reclassification	(62,099)	37,054	–	5,174	19,871	–	–
Transfer to assets classified as held for sales	–	(28,922)	–	(2,831)	(8,718)	(171)	(40,642)
Disposals	(697)	–	–	(10,097)	(2,159)	(413)	(13,366)
At 30 June 2007	38,203	299,313	32,263	80,871	544,762	27,054	1,022,466

	Construction in progress	Buildings	Leasehold improvements	Equipment, furniture and fixtures	Plant and machinery	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 April 2004	–	59,132	6,267	39,768	143,984	9,139	258,290
Currency realignment	–	–	(2)	(10)	(11)	–	(23)
Provided for the period	–	9,370	1,728	6,798	23,204	2,018	43,118
Impairment loss recognised	–	–	–	–	14,000	–	14,000
Eliminated on disposals	–	–	(3)	(44)	–	(730)	(777)
Eliminated on disposal of subsidiaries	–	(322)	–	(146)	–	–	(468)
At 30 June 2005	–	68,180	7,990	46,366	181,177	10,427	314,140
Currency realignment	–	2,584	211	969	3,355	61	7,180
Provided for the year	–	8,972	1,459	4,652	19,065	1,757	35,905
Reclassification	–	–	–	1,268	(1,268)	–	–
Eliminated on disposals	–	–	–	–	–	(2,030)	(2,030)
At 30 June 2006	–	79,736	9,660	53,255	202,329	10,215	355,195
Currency realignment	–	3,279	412	1,653	6,023	524	11,891
Provided for the year	–	12,388	2,532	5,944	32,633	2,678	56,175
Transfer to assets classified as held for sales	–	(1,463)	–	(1,678)	(2,632)	(171)	(5,944)
Eliminated on disposals	–	–	–	(5,787)	(978)	(82)	(6,847)
At 30 June 2007	–	93,940	12,604	53,387	237,375	13,164	410,470
CARRYING VALUES							
At 30 June 2007	38,203	205,373	19,659	27,484	307,387	13,890	611,996
At 30 June 2006	43,723	168,915	15,857	20,470	154,536	8,548	412,049
At 30 June 2005	14,944	166,412	10,336	20,589	163,708	6,670	382,659

Buildings are depreciated over the shorter of the term of the lease or fifty years using the straight-line method.

Leasehold improvements are depreciated over the shorter of the remaining term of the lease or at 10% per annum using the straight-line method.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Equipment, furniture and fixtures	20% – 30%
Plant and machinery	6.67% – 20%
Motor vehicles	20% – 30%

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Buildings situated on the PRC land held under			
– medium term leases	163,057	165,638	202,167
– long leases	1,763	1,724	1,684
Buildings situated on Hong Kong land held under medium term leases	1,592	1,553	1,522
	166,412	168,915	205,373

During the fifteen months ended 30 June 2005, continuing operating losses were recorded by a subsidiary which was engaged in the manufacture and trading of chemical products in the PRC. The Directors estimated the recoverable amount of the relevant plant and machinery employed in the manufacture of chemical products by reference to value-in-use. Based on the discounted future cash flow, the recoverable amount was less than their carrying amount. Accordingly, an impairment loss of HK$14,000,000 was recognised in the income statement.

At 30 June 2005, 2006 and 2007, the carrying value of property, plant and equipment of the Group includes plant and machinery of HK$4,590,000, HK$3,928,000 and HK$5,106,000 respectively and motor vehicles of HK$226,000, HK$696,000 and HK$4,714,000 respectively and equipment, furniture and fixtures of Nil, Nil and HK$16,000 respectively in respect of assets held under finance leases.

15. PREPAID LEASE PAYMENTS FOR LAND

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Leasehold land situated in the PRC held under			
– medium term lease	73,637	84,723	72,646
– long leases	8,055	7,830	7,650
Leasehold land situated in Hong Kong held under medium term lease	1,824	1,769	1,725
	83,516	94,322	82,021

Analysed for reporting purposes as:

Non-current	81,506	92,149	80,220
Current	2,010	2,173	1,801
	83,516	94,322	82,021

16. INTERESTS IN ASSOCIATES

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Cost of unlisted investment	490,697	490,697	490,697
Share of post-acquisition losses and reserve, net of impairment	(480,812)	(480,188)	(479,501)
	9,885	10,509	11,196

The following list contains only the particulars of the associate at 30 June 2005, 2006 and 2007 which principally affects the Group's results for the Relevant Periods or form a substantial portion of the net assets or liabilities of the Group, as the directors are of the opinion that a full list of all the associates would be of excessive length.

Name of company	Place of registration	Proportion of nominal value of issued capital indirectly held by the Company	Principal activities
侯馬普天榮盛光纜有限公司	PRC	20%	Manufacture and trading of optical fibre cable and related products

The summarised financial information in respect of the Group's associate for the Relevant Periods is as follows:

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Total assets	77,890	91,190	115,784
Total liabilities	(28,465)	(38,645)	(59,804)
	49,425	52,545	55,980
Group's share of net assets of associate	9,885	10,509	11,196
Revenue	48,985	81,665	88,156
Profit for the period/year	1,445	1,180	739
Group's share of results of associate for the period/year	289	236	148

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2005 *HK$'000*	2006 *HK$'000*	2007 *HK$'000*
Cost of unlisted investments	49,151	66,626	66,626
Share of post-acquisition profits and reserve, net of impairment	(49,151)	(49,141)	(48,603)
	–	17,485	18,023

Particulars of the Group's interest in the jointly controlled entities as at 30 June 2005, 2006 and 2007 are as follows:

Name of company	Place of registration	Proportion of registered capital indirectly held by the Company	Principal activities
常州柏濤樓宇智能有限公司 Changzhou Bo Tao Lou Yu Zhi Neng Co., Ltd.	PRC	40%	Inactive
福建金藝銅業有限公司 Fujian Jingyi Copper Products Limited	PRC	45%	Manufacture and sales of copper wires

The summarised financial information in respect of the Group's interests in the jointly controlled entities for the Relevant Periods is as follows:

	2005 *HK$'000*	2006 *HK$'000*	2007 *HK$'000*
Current assets	–	9,525	8,694
Non-current assets	–	8,151	30,864
Current liabilities	–	(191)	(7,759)
Non-current liabilities	–	–	(13,776)
Income	–	10	–
Expenses	–	–	(369)

18. GOODWILL

For the fifteen months ended 30 June 2005, the goodwill arising on acquisition of the life-like plants operations of HK$16,212,000 was fully impaired in the income statement. The details are set out in note 33(a).

Goodwill of HK$23,389,000 arising from acquisition of subsidiaries for the year ended 30 June 2007 as mentioned in note 33 has been allocated to one cash generating unit (CGU), representing the manufacture and trading of connectors and terminals business in Brazil.

During the year ended 30 June 2007, management of the Group determined that there was no impairment of the CGU containing the goodwill.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, growth rate of 10% per annum and discount rate of 8%. Other key assumptions relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed the recoverable amount of the CGU.

19. INVENTORIES

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	112,094	138,170	355,923
Work in progress	23,250	24,632	26,069
Finished goods	170,261	208,416	130,100
	305,605	371,218	512,092

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

At 30 June 2005, 2006 and 2007, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK$282,918,000, HK$368,949,000 and HK$399,130,000 respectively. The Group allows an average credit period of 45 days for its trade customers.

The aging analysis of trade debtors is as follows:

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	164,035	196,331	273,812
31 – 60 days	63,875	93,099	69,964
61 – 90 days	32,444	45,946	33,081
Over 90 days	22,564	33,573	22,273
	282,918	368,949	399,130

At 30 June 2005, 2006 and 2007, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to Nil, HK$86,363,000 and HK$61,794,000 respectively resulting from the net settlements of derivative financial instruments which were in closed out positions at period/year end. The amount has been fully settled subsequent to the respective period/year end dates.

21. BILLS RECEIVABLE

As at 30 June 2005, 2006 and 2007, bills receivable aged within 90 days.

22. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	2006		2007	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Future contracts	5,754	–	–	(2,111)
Interest rate swaps	–	(803)	468	–
Foreign exchange forward contracts	309	(675)	1,566	(7,856)
	6,063	(1,478)	2,034	(9,967)

Future contracts

The major terms of the outstanding future contracts of the Group which had not been designated as hedging instruments were as follows:

	As at 30 June 2006	**As at 30 June 2007**
Quantities (in tonnes)	625	2,500
Average price per tonne (USD)	7,210	7,599
Delivery period	From August 2006 to October 2006	From July 2007 to September 2007
Fair value gain (loss) of copper future contracts recognised as current assets (liabilities) (in HK$'000)	5,754	(2,111)

Interest rate swap

			Fair value gain (loss) as at	
Notional amount	**Maturity**	**Swap**	**30 June 2006**	**30 June 2007**
			HK$'000	*HK$'000*
USD5,000,000	13 September 2009	Received USD at structured rate *(note)*	(803)	468
		Paid USD interest rate at LIBOR minus 0.8%		

Note: Structured rate is calculated at 6 months LIBOR x (number of days the reference spread > 0%)/(actual number of days in the calculation period) and reference spread is based on spread between 30-year and 10-year interest rate.

Forward foreign exchange contracts

The forward foreign exchange contracts are settled at specific time intervals and the major terms of the forward foreign exchange contracts are as follows:

At 30 June 2006

Notional amount/ settlement interval	**Maturity dates**	**Contracted exchange rates**	**Fair value gain (loss)**	
			HK$'000	*HK$'000*
US$500,000/month	15 January 2007	HK$7.73/US$1	36	–
US$300,000/month	25 May 2007	HK$7.73/US$1	–	(62)
US$1,000,000/month	5 December 2006	HK$7.758/US$1	–	(101)
US$1,000,000/month	5 July 2007	HK$7.738/US$1	–	(305)
US$500,000/month	17 January 2007	HK$7.728/US$1	259	–
US$500,000/month	2 May 2007	HK$7.73/US$1	14	–
US$1,000,000/month	6 March 2007	HK$7.725/US$1	–	(113)
US$1,000,000/month	19 September 2007	HK$7.7295/US$1	–	(94)
			309	(675)

At 30 June 2007

Notional amount/ settlement interval	**Maturity dates**	**Contracted exchange rates**	**Fair value gain (loss)**	
			HK$'000	*HK$'000*
US$2,000,000 and US$4,000,000/year	24 January 2008	CNY7.2701 to 7.7755/US$1	74	–
US$3,750,000/ semi-annually	29 December 2008	BRL2.1765	–	(7,856)
US$1,500,000/ half month	22 February 2008	HK$7.739/US$1 and HK$7.885/US$1	383	–
US$1,000,000/ half month	5 July 2007	HK$7.738/US$1	78	–
US$1,000,000/month	20 December 2007	HK$7.728/US$1	409	–
US$500,000/month	20 December 2007	HK$7.7499/US$1	232	–
US$500,000/month	20 October 2007	HK$7.725/US$1	153	–
US$1,000,000/month	19 September 2007	HK$7.7295/US$1	237	–
			1,566	(7,856)

The above derivatives are measured at fair value at each balance sheet date. For the year ended 30 June 2006, the change in fair value of derivative financial instruments of HK$79,146,000 has been credited to the income statement, the majority of which relates to the copper future contracts outstanding during the year. For the year ended 30 June 2007, the change in fair value of derivative financial instruments of HK$296,000 has been charged to the income statement.

23. NOTES RECEIVABLE

Pursuant to a sale and purchase agreement entered into between a Company's subsidiary and an independent third party in 2003, the Group had disposed of certain subsidiaries at a total consideration of HK$60,000,000 of which HK$5,000,000 was settled in cash and HK$55,000,000 will be settled by promissory notes. The notes are secured by assets owned by the notes issuer, carry interest at prime rate plus 2% per annum and are wholly repayable in June 2007.

The notes receivable have been fully settled subsequent to 30 June 2007.

24. OTHER FINANCIAL ASSETS

As disclosed in note 39 pursuant to a loan agreement entered into between the Group and an independent third party during the year ended 30 June 2007, a prepayment of HK$31,560,000 for acquisition of property, plant and equipment has been assigned and reclassified as loan to the third party during the year. In addition, the Group has advanced an additional HK$15,338,000 to such party during the year ended 30 June 2007. The aggregate amount of loans receivable at 30 June 2007 amounted to HK$46,898,000, which was interest-bearing at 2.5% per annum and secured by the plant and machinery of the third party and has no fixed repayment terms. In the opinion of directors of the Company, the amount would not be recoverable within 12 months from the balance sheet date.

Bank balances comprise cash held by the Group and deposits with a maturity of three months or less held with banks are not restricted in use and the effective interest rates of bank balances and deposits range from 1% to 3% per annum.

25. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

At 30 June 2005, 2006 and 2007, included in the Group's creditors, other advances and accrued charges were trade creditors of HK$95,752,000, HK$90,046,000 and HK$110,881,000 respectively.

The aging analysis of trade creditors is as follows:

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	51,338	50,776	62,466
31 – 60 days	27,522	26,061	30,461
61 – 90 days	14,665	8,712	15,127
Over 90 days	2,227	4,497	2,827
	95,752	90,046	110,881

26. BILLS PAYABLE

As at 30 June 2005, 2006 and 2007, bills payable aged within 90 days.

27. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments			Present value of minimum lease payments		
	2005	2006	2007	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases						
Within one year	2,386	1,177	3,604	2,144	1,030	3,185
In the second to fifth year inclusive	2,274	2,088	5,365	2,060	1,649	4,821
	4,660	3,265	8,969			
Less: Future finance charges	(456)	(586)	(963)			
Present value of lease obligations	4,204	2,679	8,006	4,204	2,679	8,006
Less: Amount due within one year				(2,144)	(1,030)	(3,185)
Amount due after one year				2,060	1,649	4,821

It is the Group's policy to lease certain of its plant and machinery and motor vehicles under finance leases. The average lease term is 2 to 4 years. For the fifteen months ended 30 June 2005 and for year ended 30 June 2006 and 2007, interest rates underlying all obligations under finance leases are fixed at respective contract dates and the average effective borrowing rate was 6.1%, 6.1% and 6% per annum respectively. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

28. BORROWINGS/BANK OVERDRAFTS

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Borrowings are analysed as follows:			
Bank loans	117,251	221,526	238,779
Trust receipt loans	234,500	307,995	483,827
Other loans	14,279	13,584	15,521
	366,030	543,105	738,127
Bank overdrafts	1,315	280	–
	367,345	543,385	738,127
Secured	227,920	264,996	330,358
Unsecured	139,425	278,389	407,769
	367,345	543,385	738,127

The carrying amounts of borrowings repayable:

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	367,345	543,385	717,719
More than one year but not exceeding two years	–	–	5,102
More than two years but not exceeding five years	–	–	15,306
	367,345	543,385	738,127
Amount due within one year shown under current liabilities	(367,345)	(543,385)	(717,719)
Amount due over one year shown under non-current liabilities	–	–	20,408

The average effective interest rates of all the above borrowings for the fifteen months ended 30 June 2005, for the year ended 30 June 2006 and 2007 range from 4.3% to 7.5%, 4.7% to 9.5% and 5.6% to 9% per annum respectively.

The average effective interest rates of other loans range from 7% to 36% per annum for the Relevant Periods.

Over 95% of the Group's bank borrowings are denominated in the functional currencies of the relevant group entities and therefore exposure to foreign exchange rate risk is minimal.

29. CONVERTIBLE NOTES AND DERIVATIVES FINANCIAL INSTRUMENTS

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Amortised cost of the debts component of convertible notes	–	66,068	72,128
Fair value of conversion option	–	12,492	7,167
	–	78,560	79,295

On 24 April 2006, the Company entered into subscription agreements with 8 investors, which are third parties independent of the Company, for the issue of zero-coupon convertible notes with the maturity date being the first business day after the second anniversary from the date of issue. The aggregate principal amount of the convertible notes is US$10,000,000. The subscribers are entitled to convert the convertible notes at a conversion price of HK$1.1 per share using the specified exchange rate of US$1 to HK$7.8 commencing on and excluding the 14th day after the issue date up to and including the date which is 14 days prior to the maturity date. In the event that the average closing price for any 30 consecutive dealing days represents 150% or more of the conversion price, the outstanding principal amount of the convertible notes will be mandatorily converted into the ordinary shares of the Company at the conversion price of HK$1.1 per share using the specified exchange rate of US$1 to HK$7.8. The Company is required to redeem the convertible notes at its face value for the outstanding principal amount of the convertible notes which have not been converted on maturity.

The completion date of the issue of the convertible notes was 9 May 2006. During the year ended 30 June 2006 and 2007, none of the investors have converted the convertible notes.

The fair value of the conversion options were valued by a professional valuer at the date of grant and the balance sheet date and the change in the fair value of the embedded derivatives for the year ended 30 June 2006 and 2007 amounted to Nil and HK$5,325,000 respectively has been charged to income statement. The valuer has adopted the Black-Scholes option pricing model in measuring the fair value of the conversion option. The liability component of convertible notes is initially recognised as the residual amount after separating the conversion option derivatives and is carried at amortised cost subsequently. The effective interest rate of the liability component of convertibles notes is 8.81%.

The inputs into the Black-Scholes option pricing model were as follows:

	At 9 May 2006 (date of issue) and 30 June 2006	At 30 June 2007
Share price	HK$0.92	HK$0.97
Expected volatility	85%	69%
Expected life	1.86 years	0.87 years
Risk-free rate	4.15%	4.19%
Expected dividend yield	Nil	6.19%

The expected volatility was determined by taking into account the 180 days historical ordinary share prices of the Company before the date of valuation.

The movement of the carrying amounts of the liability component of the convertible bonds is set out below:

	HK$'000
At the date of issue on 9 May 2006	65,108
Interest charge	960
At 1 July 2006	66,068
Interest charge	6,060
At 30 June 2007	72,128

The fair value of the liability component of the convertible bonds at 30 June 2006 and 2007, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for equivalent non-convertible bonds at the balance sheet date of 8.81% and 6.49%, was HK$65,880,000 and HK$73,855,000 respectively.

30. SHARE CAPITAL

	Number of shares			Share capital		
	2005	**2006**	**2007**	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Ordinary shares of HK$0.01 each						
Authorised	30,000,000	30,000,000	30,000,000	300,000	300,000	300,000
Issued and fully paid						
At beginning of the year	272,974	392,364	485,064	2,730	3,924	4,851
Shares repurchase during the year	–	(300)	(910)	–	(3)	(9)
Placements of new shares	119,390	93,000	–	1,194	930	–
Exercise of share options	–	–	5,000	–	–	50
At end of the year	392,364	485,064	489,154	3,924	4,851	4,892

For the fifteen months period ended 30 June 2005, pursuant to two subscription agreements entered into between the Company and Chau's Family 1996 Limited, 54,000,000 ordinary shares of HK$0.01 each and 65,390,000 ordinary shares of HK$0.01 each in the Company were issued at a price of HK$0.27 per share and HK$0.28 per share respectively. All the new shares issued rank *pari passu* in all respects with the existing shares. Details of these transactions were set out in the Company's announcements dated 17 June 2004 and 24 May 2005 respectively.

For the year ended 30 June 2006, pursuant to the subscription agreement entered into between the Company and Chau's Family 1996 Limited, in which Mr. Chau Lai Him has a beneficial interest, 93,000,000 ordinary shares of HK$0.01 each in the Company were issued at a price of HK$1 per share. All the new shares issued rank pari passu in all respects with the existing shares. Details of these transactions were set out in the Company's circular dated 17 May 2006.

For the year ended 30 June 2006, the Company repurchased 300,000 of its own shares of HK$0.01 each through the Stock Exchange at a price of HK$0.83 per share. The aggregate consideration paid by the Company was HK$250,000. The above shares were cancelled upon repurchase.

For the year ended 30 June 2007, the Company repurchased 910,000 of its own shares of HK$0.01 each through the Stock Exchange at a price of HK$1.01 per share. The aggregate consideration paid by the Company was HK$921,000. The above shares were cancelled upon repurchase.

As a result of the exercise of the Company's share options during the year ended 30 June 2007, 5,000,000 ordinary shares were issued by the Company as detailed in note 40. All the new shares issued rank pari passu in all respects with the existing shares.

31. DEFERRED TAX ASSETS/LIABILITIES

The followings are the major deferred tax (assets) liabilities recognised by the Group and movements thereon during the Relevant Periods:

	Accelerated tax depreciation	Tax losses	Allowance for doubtful debts	Write down of inventories	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP						
At 1 April 2004	12,490	(523)	(600)	(2,636)	–	8,731
Exchange realignment	(1)	–	–	–	–	(1)
Charge (credit) to income statement for the period	6,163	(4,380)	426	780	(286)	2,703
At 30 June 2005	18,652	(4,903)	(174)	(1,856)	(286)	11,433
Exchange realignment	52	–	28	(72)	(8)	–
Charge to income statement for the year	2,595	4,282	–	1,563	101	8,541
At 30 June 2006	21,299	(621)	(146)	(365)	(193)	19,974
Acquisition of subsidiaries	–	–	–	(1,359)	(2,672)	(4,031)
Exchange realignment	469	–	23	190	(526)	156
(Credit) charge to income statement for the year	(380)	382	123	359	(2,115)	(1,631)
At 30 June 2007	21,388	(239)	–	(1,175)	(5,506)	14,468

For the purpose of balance sheet presentation, certain of the above deferred tax assets and liabilities have been offset. The remaining amounts are presented in the consolidated balance sheet as follows:

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax liabilities	11,453	19,974	20,743
Deferred tax assets	(20)	–	(6,275)
	11,433	19,974	14,468

As at 30 June 2005, 2006 and 2007, the Group has unused tax losses of HK$72,742,000, HK$68,335,000 and HK$65,205,000 respectively available for offset against future profits. A deferred tax asset has been recognised in respect of HK$28,884,000, HK$3,548,000 and HK$1,580,000 respectively of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$43,858,000, HK$64,787,000 and HK$63,625,000 respectively due to the unpredictability of future profit streams. Tax losses for the fifteen months ended 30 June 2005, for the year ended 30 June 2006 and 2007 of HK$11,884,000, HK$40,006,000 and HK$38,715,000 respectively may be carried forward indefinitely and the remaining amount of HK$60,858,000, HK$28,329,000 and HK$26,490,000 respectively will expire in 2012.

32. ASSETS (LIABILITIES) CLASSIFIED AS HELD FOR SALE

On 21 May 2007, the Company announced that a conditional Sale and Purchase Agreement was entered into on 19 May 2007 by one of its wholly-owned subsidiaries and the purchaser, an independent third party, in respect of the disposal of the entire issued capital in FT China Limited and FT Far East Limited, both are indirect subsidiaries of the Company, which carried on the business of manufacture and trading of life-like plants. In addition, pursuant to the Sale and Purchase Agreement, the benefits and rights of the amount owed to the vendor will also be assigned to the purchaser upon completion of the disposal. The aggregate consideration amounted to HK$60 million in which HK$20 million will be settled by way of promissory note and the remaining balance will be settled by the issue of convertible bonds upon the completion of the transaction. The transaction has not been completed up to 30 June 2007. Details of the disposal were set out in the circular of the Company dated 8 June 2007.

The major classes of assets and liabilities of the life-like plants operation as at 30 June 2007 are as follows:

	HK$'000
Property, plant and equipment	34,698
Prepaid lease payments for land	15,518
Inventories	42,096
Debtors, deposits and prepayments	5,230
Tax recoverable	89
Pledged deposits	5,388
Bank balances and cash	4,725
Impairment loss arising from adjustment to fair value less costs to sell	(28,000)
Assets classified as held for sale	79,744
Creditors and accrued charges	14,019
Bills payable	6,313
Liabilities associated with assets classified as held for sale	20,332

The trade debtor balances included in debtors, deposits and prepayments aged within 30 days. The trade creditor balances included in creditors and accrued charges aged within 30 days. The bills payable aged within 90 days.

For the fifteen months ended 30 June 2005, the subsidiaries to be disposed of had insignificant contributions to the Group's operating, investing and financing activities.

During the year ended 30 June 2006, the subsidiaries to be disposed of has constituted a cash inflow of HK$12,410,000 in the Group's operating activities, cash outflow of HK$2,552,000 in the Group's investing activities and cash outflow of HK$1,011,000 in the Group's financing activities.

During the year ended 30 June 2007, the subsidiaries to be disposed of has constituted a cash outflow of HK$7,647,000 in the Group's operating activities, cash outflow of HK$6,000 in the Group's investing activities and cash outflow of HK$1,119,000 in the Group's financing activities.

The subsidiaries to be disposed of contributed HK$81,013,000 to the Group's turnover and incurred a loss of HK$25,354,000 to the Group's loss for the year ended 30 June 2007.

33. ACQUISITION OF SUBSIDIARIES

(a) In August 2004, the Company subscribed for 8,000,000,000 ordinary shares of HK$0.01 each of FT International Holdings Limited ("FT Holdings"). The consideration was satisfied by injecting the Group's interest in certain companies (the "Copper Group"), plant and machinery and land and buildings engaging in manufacture and trading of copper rods and related products. Immediately after the completion of the transaction, the Group's interest in FT Holdings was 75.5%. In order to maintain the sufficiency of public float of FT Holdings, the Company disposed of 57,562,500 shares of FT Holdings to third parties at a consideration of HK$2,307,000, resulting in a gain on disposal of HK$797,000 which has been included in other income.

The effect of acquisition of FT Holdings and its subsidiaries is summarised as follows:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
NET ASSETS ACQUIRED			
Property, plant and equipment	57,823	–	57,823
Prepaid lease payments for land	16,800	–	16,800
Television programmes and sub-licensing rights	3,509	–	3,509
Inventories	18,363	(200)	18,163
Debtors, deposits and prepayments	8,328	–	8,328
Pledged deposits	5,000	–	5,000
Bank balances and cash	41,546	–	41,546
Creditors and accrued charges	(19,780)	–	(19,780)
Bills payable	(7,769)	–	(7,769)
Taxation	(460)	–	(460)
Obligations under finance leases	(309)	–	(309)
Borrowings	(14,472)	–	(14,472)
	108,579	(200)	108,379
Goodwill			16,212
Minority interests			(26,553)
Total consideration			98,038
Satisfied by:			
Disposal of 24.5% interests in the Copper Group			47,900
Cash paid for expenses related to acquisition			36,904
Expenses payable related to acquisition			13,234
Total consideration			98,038
Net cash inflow arising on acquisition:			
Cash paid for expenses related to acquisition			(36,904)
Bank balances and cash acquired			41,546
Net inflow of cash and cash equivalents in respect of the acquisition			4,642

The goodwill arising on acquisition is attributable to the anticipated profitability of the distribution of the Group's life-like plants in the new markets.

The recoverable amount of the operation was determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs. Management estimated discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the operation. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future change in market.

The Group prepared cash flow forecasts derived from the most recent financial budgets for the next financial year approved by management and further extrapolated for the next four years based on an estimated steady growth rate of 3%. This rate did not exceed the average long-term growth rate for the relevant markets. The rate used to discount rate forecast cash flow was 5%.

However, the estimated cash flow forecasts of the operation prepared by the management indicated that the attributable goodwill amounted to HK$16,212,000 had been fully impaired in the income statement.

The subsidiaries acquired during the fifteen months ended 30 June 2005 contributed HK$42,964,000 to the Group's turnover and HK$26,000 to the Group's profit from operation after the acquisition.

If the acquisition had been completed on 1 April 2004, the Group's turnover for the period ended 30 June 2005 and loss for the period ended 30 June 2005 would have been approximately HK$2,114.9 million and HK$61.0 million respectively. The financial information was for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2004, nor is it intended to be a projection of future results.

(b) In May 2006, the Company entered into an agreement with an independent third party, pursuant to which the Company agreed to acquire the entire issued share capital of Brascabos Componentes Eletricoes e Eletronicos Ltda ("Brascabos"), at a total consideration of US$10,000,000 (equivalent to HK$77,600,000). Together with the cash paid for expenses related to the acquisition of HK$7,426,000 and discounting effect on deferred consideration of HK$4,179,000, the aggregate consideration was HK$80,847,000, which is paid by the Company on the following basis:

(i) part of the consideration amounting to HK$57,071,000 was satisfied by the Group by cash;

(ii) the remaining consideration of HK$20,529,000 will be paid in four instalments as follows:

First instalment due in July 2007: US$20,490 (equivalent to HK$159,000)
Second instalment due in July 2008: US$875,000 (equivalent to HK$6,790,000)
Third instalment due in July 2009: US$875,000 (equivalent to HK$6,790,000)
Forth instalment due in July 2010: US$875,000 (equivalent to HK$6,790,000)

The fair value of the deferred consideration of HK$16,350,000 was determined by discounting the amounts payable of HK$20,529,000 to their present value at a discount rate of 8% per annum.

The above transaction was completed on 2 August 2006.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination	**Fair value adjustment**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
NET ASSETS ACQUIRED			
Property, plant and equipment	46,594	–	46,594
Deferred tax assets	4,031	–	4,031
Inventories	35,793	386	36,179
Debtors, deposits and prepayments	22,441	–	22,441
Bank balances and cash	2,868	–	2,868
Creditors and accrued charges	(51,805)	–	(51,805)
Taxation	(656)	–	(656)
Obligations under finance leases	(2,194)	–	(2,194)
	57,072	386	57,458
Goodwill			23,389
Total consideration			80,847
Satisfied by:			
Cash consideration			57,071
Cash paid for expenses related to acquisition			7,426
Deferred consideration			16,350
Total consideration			80,847
Deferred consideration:			
Due within one year included in creditors and accrued charges			147
Due after one year			16,203
			16,350
Net cash outflow arising on acquisition:			
Cash consideration paid			57,071
Cash paid for expenses related to acquisition			7,426
Bank balances and cash acquired			(2,868)
Net outflow of cash and cash equivalents in respect of the acquisition			61,629

The goodwill arising on the acquisition of Brascabos is attributable to the anticipated profitability of the business of manufacturing of power cords and wire harness for the automobile parts industry in Brazil.

Brascabos contributed approximately of HK$482.3 million and HK$17.2 million to the Group's revenue and profit, respectively, for the period between the date of acquisition and 30 June 2007.

If the acquisition had been completed on 1 July 2006, total group revenue for the year ended 30 June 2007 would have been HK$3,903.6 million, and loss for the year ended 30 June 2007 would have been HK$3.3 million. The pro forma information is for illustrative purposes only and is not necessarily an indicative of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 July 2006, nor is it intended to be a projection of future results.

34. DISPOSAL OF SUBSIDIARIES

In April 2005, the Group disposed of its entire equity interests in FT Holdings Limited and FT Properties Limited. The net assets of these subsidiaries at the date of disposal were as follows:

	HK$'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	18,450
Debtors, deposits and prepayments	70
Bank balances and cash	15
Accrued charges	(10)
Taxation	(23)
	18,502
Loss on disposal	(7,502)
Total consideration	11,000
SATISFIED BY	
Cash consideration	11,000
Net cash inflow arising on disposal:	
Cash consideration	11,000
Bank balances and cash disposed of	(15)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	10,985

The subsidiaries disposed of did not have any significant impact on the Group's cash flows or operating results for the fifteen months ended 30 June 2005.

35. DISCOUNT ON ACQUISITION OF SUBSIDIARIES/LOSS ON DEEMED DISPOSAL OF INTEREST IN A LISTED SUBSIDIARY

For the fifteen months ended 30 June 2005

A subsidiary of the Company, Skywalk Assets Management Limited ("Skywalk") entered into agreements to place and subscribe for new shares in the listed subsidiary, Hua Yi Copper Holdings Limited ("Hua Yi Copper"). Pursuant to the agreements, Skywalk agreed to place 25,912,000 ordinary shares of HK$0.2 each in Hua Yi Copper at a price of HK$0.93 per share and to subscribe for 25,912,000 new ordinary shares of Hua Yi Copper at a price of HK$0.93 per share. Accordingly, the Group's interest in Hua Yi Copper was diluted from 74.99% to 71.49%, resulting a gain on deemed disposal of HK$1,845,000.

For the year ended 30 June 2006

- Skywalk entered into agreements to place and subscribe for new shares in Hua Yi Copper. Pursuant to the agreements, Skywalk has agreed to place 111,000,000 ordinary shares of HK$0.2 each in Hua Yi Copper at a price of HK$0.88 per share and to subscribe for 111,000,000 new ordinary shares of Hua Yi Copper at a price of HK$0.88 per share. Accordingly, the Group's interest in Hua Yi Copper has been diluted from 71.49% to 59.59%, resulting in a gain on deemed disposal of HK$19,576,000.

- The Company acquired 3,748,000 shares of Hua Yi Copper from the market at a total consideration of HK$1,607,000 and the Group's interest in Hua Yi Copper has been increased from 59.49% to 60.05%, resulting in a discount on acquisition of HK$892,000.

For the year ended 30 June 2007

- The Company acquired 1,532,000 shares of Hua Yi Copper from the market at a total consideration of HK$975,000 and the Group's interest in Hua Yi Copper has been increased from 60.05% to 60.28%, resulting in a discount on acquisition of HK$192,000.

- The Group paid a consideration of HK$4,983,000 to acquire 35% additional equity interest in a subsidiary, which then become the wholly-owned indirect subsidiary of the Company. The excess of the carrying amounts of the net assets of the subsidiary attributable to the interests over the cost of acquisition amounting to HK$4,389,000 is recognised as discount on acquisition.

- As a result of the exercise of 5,996,000 share options of Hua Yi Copper during the year ended 30 June 2007, the Group's interest in Hua Yi Copper was diluted from 60.28% to 59.74%, resulting in a loss on deemed disposal of partial interest in a listed subsidiary of HK$1,067,000.

36. CAPITAL COMMITMENTS

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:			
Leasehold improvements	18,561	4,230	169
Plant and machinery	9,266	35,037	7,864
Equipment, furniture and fixtures	–	–	2,759
	27,827	39,267	10,792

37. LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of factory and premises which fall due as follows:

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	5,098	4,081	2,511
In the second to third year inclusive	3,467	2,533	1,202
	8,565	6,614	3,713

Leases are negotiated for an average term of three years and rentals are fixed for such term.

38. PLEDGE OF ASSETS

At 30 June 2005, 2006 and 2007, the Group has pledged certain of its assets with carrying values of HK$212,263,000, HK$196,501,000 and HK$265,331,000 respectively to secure general banking facilities granted to the Group. The carrying values of these assets are analysed as follows:

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Land use rights	–	–	27,081
Property, plant and equipment	150,754	118,709	130,904
Fixed bank deposits	48,331	67,180	96,650
Trade debtors	13,178	10,612	10,696
	212,263	196,501	265,331

The pledged deposits held by the Group carried interest at rates ranging from 1% to 4% per annum for the Relevant Periods.

39. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 June 2007, the Group entered into finance lease in respect of motor vehicle with a total capital value at the inception of the lease of HK$5,310,000.

During the year ended 30 June 2007, a prepayment for the acquisition of property, plant and equipment with carrying amount of HK$119,959,000 has been reclassified to property, plant and equipment.

As disclosed in note 24, pursuant to a loan agreement entered into between the Group and an independent third party, a prepayment of HK$31,560,000 for the acquisition of property, plant and equipment has been assigned, and reclassified as loan, to a third party during the year ended 30 June 2007.

40. SHARE OPTION SCHEMES

The Company

The Company's share option scheme was adopted pursuant to a resolution passed on 16 September 2002 (the "Share Option Scheme") for the primary purpose of providing incentives to directors and eligible employees, and will expire on 15 September 2012. Under the Share Option Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors, of the Company and any of its subsidiaries, associates and jointly controlled entities to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The total number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant together with a payment of HK$1 as consideration of grant. Options may be exercised at any time from the date of grant to the tenth anniversary of the date of the grant. The exercise price is determined by the directors of the Company, will not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five trading days immediately preceding the date of grant, and the nominal value of a share.

During the year ended 30 June 2006 and 2007, share-based payments of HK$5,348,000 and HK$3,187,000 respectively has been charged to income statement.

The following table discloses movements in the Company's Share Option Scheme during the Relevant Periods.

For the fifteen months ended 30 June 2005

				Number of share options		
Capacity	Date of grant	Exercisable period	Exercise price *HK$*	Outstanding at 1.4.2004	Granted during the period	Outstanding at 30.6.2005
Others	26 May 2005	26 May 2005 to 25 May 2008	0.32	–	18,950,000	18,950,000

For the year ended 30 June 2006

					Number of share options				Number of share options exercisable
Capacity	Date of grant	Exercisable period	Vesting period	Exercise price *HK$*	Outstanding at 1.7.2005	Granted during the year	Outstanding at 30.6.2006	Exercisable period	for the period
Others	26 May 2005	26 May 2005 to 25 May 2008	Fully vested at date of grant	0.32	18,950,000	–	18,950,000	26 May 2005 to 25 May 2008	18,950,000
Others	5 January 2006	1 February 2006 to 31 January 2009	5 January 2006 to 1 February 2006	0.24	–	39,230,000	39,230,000	1 February 2006 to 31 January 2007	13,070,000
			5 January 2006 to 1 February 2007					1 February 2007 to 31 January 2008	13,080,000
			5 January 2006 to 1 February 2008					1 February 2008 to 31 January 2009	13,080,000
					18,950,000	39,230,000	58,180,000		

For the year ended 30 June 2007

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price	Number of share options: Outstanding at 1.7.2006	Exercised during the year	Lapsed during the year	Outstanding at 30.6.2007	Exercisable period	Number of share options exercisable for the period
				HK$						
Others	26 May 2005	26 May 2005 to 25 May 2008	Fully vested at date of grant	0.32	18,950,000	–	–	18,950,000	26 May 2005 to 25 May 2008	18,950,000
Others	5 January 2006	1 February 2006 to 31 January 2009	5 January 2006 to 1 February 2006	0.24	39,230,000	(5,000,000)	(10,580,000)	23,650,000	1 February 2007 to 31 January 2008	10,570,000
			5 January 2006 to 1 February 2007						1 February 2008 to 31 January 2009	13,080,000
			5 January 2006 to 1 February 2008							
					58,180,000	(5,000,000)	(10,580,000)	42,600,000		

No share options have been granted to the directors of the Company.

The fair value of share options granted to other parties, determined at the date of grant of the shares options, is expensed over the vesting period. These fair values were calculated using the Black-Scholes Options Pricing Model. The inputs into the model were as follows:

Date of grant	**5 January 2006**
Share price on the date of grant	HK$0.23
Exercise price	HK$0.24
Expected volatility	76%
Average expected life	1.07 to 3.07 years
Average risk-free rate	3.78% to 3.92% p.a.
Expected dividend yield	Nil

The fair value of share options at the date of grant on 5 January 2006 was HK$3,204,000.

The volatility was generated from Bloomberg based on the Company's 180 days historical shares prices before the dates of valuation.

The weighted average closing price of the Company's shares immediately before the date on which share options were exercised during the year ended 30 June 2007 was HK$0.96.

Hua Yi Copper

The existing share option scheme of Hua Yi Copper (the "Hau Yi Share Option Scheme") was adopted on 4 December 2003 which replaced its old share option scheme adopted in 1996. The old share option scheme remained in force up to 6 March 2007. Under the Hua Yi Share Option Scheme, the directors may, at their discretion, grant to full-time employees and executive directors of Hua Yi Copper and its subsidiaries, the right to take up options to subscribe for shares of the Hua Yi Copper. Additionally, Hua Yi Copper may, from time to time, grant share options to outside third parties for services provided to the Hua Yi Copper. The Hua Yi Share Option Scheme, unless otherwise cancelled or amended, will expire on 3 December 2013. The subscription price of options is subject to a minimum which is the higher of the nominal value of a share, the closing price of the shares on the Stock Exchange on the date of grant and the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the grant date of the options.

The maximum number of unexercised share options permitted to be granted under the Hua Yi Share Option Scheme must not exceed 10% of the shares of Hua Yi Copper in issue at any time. No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the Hua Yi Share Option Scheme exceeding 30% of the aggregate number of shares subject to the Hua Yi Share Option Scheme, at the time it is proposed to grant the relevant option to such person.

The acceptance of an option, if accepted, must be made within 21 days from the date of the offer of the grant with a non-refundable payment of HK$1 from the grantee to Hua Yi Copper.

The total number of shares issued and to be issued upon exercise of options granted to each participant (including exercised, cancelled and outstanding options) in 12-month period must not exceed 1% of the shares in issue from time to time unless the same is approved by the shareholders.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following tables disclose movements in Hua Yi Share Option Scheme during the Relevant Periods:

For the fifteen months ended to 30 June 2005

				Number of share options			Number of share options exercisable for the period		
Capacity	Date of grant	Exercisable period	Exercise price	Outstanding at 1.4.2004	Granted during the period	Outstanding at 30.6.2005	1.4.2005 to 31.3.2006	1.4.2006 to 31.3.2007	1.4.2007 to 31.3.2008
			HK$						
Employees	1 April 2005	1 April 2005 to 31 March 2008	0.87	–	1,600,000	1,600,000	1,200,000	1,400,000	1,600,000
Employees	1 April 2005	1 April 2005 to 31 March 2007	0.87	–	1,500,000	1,500,000	750,000	1,500,000	1,500,000
Others	1 April 2005	1 April 2005 to 31 March 2008	0.87	–	9,856,000	9,856,000	9,856,000	9,856,000	9,856,000
Total				–	12,956,000	12,956,000	11,806,000	12,756,000	12,956,000

For the year ended 30 June 2006

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Number of share options: Outstanding at 1.7.2005	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30.6.2006	Exercisable period	Number of share options exercisable for the period
Employees	1 April 2005	1 April 2005 to 31 March 2008		0.87	1,600,000	–	–	(1,600,000)	–		
Employees	1 April 2005	1 April 2005 to 31 March 2007		0.87	1,500,000	–	–	(1,500,000)	–		
Others	1 April 2005	1 April 2005 to 31 March 2008		0.87	9,856,000	–	–	(9,856,000)	–		
Employees	9 December 2005	1 January 2006 to 31 December 2008	9 December 2005 to 1 January 2006	0.275	–	3,000,000	(664,000)	–	2,336,000	1.1.2006 to 31.12.2006	336,000
			9 December 2005 to 1 January 2007							1.1.2007 to 31.12.2007	1,000,000
			9 December 2005 to 1 January 2008							1.1.2008 to 31.12.2008	1,000,000
Others	9 December 2005	1 January 2006 to 31 December 2008	9 December 2005 to 1 January 2006	0.275	–	12,000,000	–	–	12,000,000	1.1.2006 to 31.12.2006	4,000,000
			9 December 2005 to 1 January 2007							1.1.2007 to 31.12.2007	4,000,000
			9 December 2005 to 1 January 2008							1.1.2008 to 31.12.2008	4,000,000
Others	6 April 2006	1 May 2006 to 30 April 2011	6 April 2006 to 1 May 2006	0.495	–	51,000,000	–	–	51,000,000	1.5.2006 to 30.4.2007	10,200,000
			6 April 2006 to 1 May 2007							1.5.2007 to 30.4.2008	10,200,000
			6 April 2006 to 1 May 2008							1.5.2008 to 30.4.2009	10,200,000
			6 April 2006 to 1 May 2009							1.5.2009 to 30.4.2010	10,200,000
			6 April 2006 to 1 May 2010							1.5.2010 to 30.4.2011	10,200,000
Total					12,956,000	66,000,000	(664,000)	(12,956,000)	65,336,000		

The fair value of share options granted to employees of the Hua Yi Copper Group and other parties, determined at the date of grant of the shares options, is expensed over the vesting period. These fair values were calculated using the Black-Scholes Options Pricing Model. The inputs into the model were as follows:

Date of grant	**9 December 2005**	**6 April 2006**
Share price on the date of grant	HK$0.27	HK$0.495
Exercise price	HK$0.275	HK$0.495
Expected volatility	58.7%	64.5%
Average expected life	1.06 to 2.56 years	1.06 to 4.57 years
Average risk-free rate	3.87% to 4.15% p.a.	4.17% to 4.48% p.a.
Expected dividend yield	Nil	6.1%

The volatility was generated from Bloomberg based on the Hua Yi Copper's 180 days historical shares prices before the dates of valuation.

For the year ended 30 June 2007

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Number of share options: Outstanding at 1.7.2006	Exercised during the year	Lapsed during the year	Outstanding at 30.6.2007	Exercisable period	Number of share options exercisable for the period
Employees	9 December 2005	1 January 2006 to 31 December 2008	9 December 2005 to 1 January 2007	0.275	2,336,000	(996,000)	(332,000)	1,008,000	1.1.2007 to 31.12.2007	8,000
			9 December 2005 to 1 January 2008						1.1.2008 to 31.12.2008	1,000,000
Others	9 December 2005	1 January 2006 to 31 December 2008	9 December 2005 to 1 January 2007	0.275	12,000,000	(5,000,000)	(1,500,000)	5,500,000	1.1.2007 to 31.12.2007	1,500,000
			9 December 2005 to 1 January 2008						1.1.2008 to 31.12.2008	4,000,000
Others	6 April 2006	1 May 2006 to 30 April 2011	6 April 2006 to 1 May 2006	0.495	51,000,000	–	(10,200,000)	40,800,000	1.5.2007 to 30.4.2008	10,200,000
			6 April 2006 to 1 May 2008						1.5.2008 to 30.4.2009	10,200,000
			6 April 2006 to 1 May 2009						1.5.2009 to 30.4.2010	10,200,000
			6 April 2006 to 1 May 2010						1.5.2010 to 30.4.2011	10,200,000
Total					65,336,000	(5,996,000)	(12,032,000)	47,308,000		

The following table discloses movements of the old share option scheme of Hua Yi Copper during the fifteen months ended 30 June 2005 and year ended 30 June 2006 which expired on 6 March 2007.

For the fifteen months ended 30 June 2005

Capacity	Date of grant	Exercisable period	Exercise price HK$	Number of share options: Outstanding at 1.4.2004	Lapsed during the period	Adjustment during the period *(Note)*	Outstanding at 30.6.2005
Employees	7 March 1997	7 March 1997 to 6 March 2007	0.7056	9,500,000	(5,500,000)	(4,000,000)	–
			14.1120	–	–	200,000	200,000
Total				9,500,000	(5,500,000)	(3,800,000)	200,000

For the year ended 30 June 2006

Capacity	Date of grant	Exercisable period	Vesting period	Adjusted exercise price HK$	Number of share options: Balance at 1.7.2005	Lapsed during the year	Balance at 30.6.2006
Employees	7 March 1997	7 March 1997 to 6 March 2007	Fully vested at date of grant	14.11120	200,000	(200,000)	–
					200,000	(200,000)	–

41. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees.

Pursuant to the PRC Government regulations, the Group is required to contribute to a central defined contribution scheme in respect of certain of the Group's employees in the PRC based on 10% to 24.5% of the salaries of those employees and there is no forfeited contributions under the central pension scheme.

The Group is required to contribute to central defined contribution schemes in respect of certain of the Group's employees in other Asia regions and America at rates specified in the rules of the schemes.

The retirement benefits cost charged to income statement represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

During the fifteen months ended 30 June 2005, year ended 30 June 2006 and 2007, the Group made retirement benefits schemes contributions of HK$3,713,000, HK$4,380,000 and HK$5,131,000 respectively.

42. RELATED PARTY TRANSACTION

Compensation of key management

The key management of the Group comprises all directors and the two highest paid employees, details of their remuneration are disclosed in note 9. The remuneration of directors is determined by their remuneration committee having regard to the performance of individuals and market trends.

43. POST BALANCE SHEET EVENTS

(i) Placement and subscription of shares

In August 2007, Chau's Family 1996 Limited and a director of the Company (the "Vendors") entered into agreements to place and subscribe for new shares in the Company. Pursuant to the placing and subscription agreements, the Vendors agreed to place 97,000,000 ordinary shares of HK$0.01 each in the Company at a price of HK$0.68 per share and to subscribe for 97,000,000 new ordinary shares of the Company at a price of HK$0.68 per share. Accordingly, the share capital and share premium of the Company will increase by HK$970,000 and HK$64,990,000 respectively.

(ii) Dilution of equity interest in Hua Yi Copper as a result of an acquisition

Subsequent to balance sheet date, Hua Yi Copper has placed 110,000,000 new ordinary shares to independent third parties, resulting in the dilution of the Group's shareholding in Hua Yi Copper from 59.74% to 51.35%. The Company is still in the process of assessing the financial impact of the transaction.

The Board announced that on 7 October 2007, Hua Yi Copper entered into an agreement with Belleview Global Limited, an independent third party, pursuant to which Hua Yi Copper conditionally agreed to acquire the entire equity interests of Yeading Enterprises Limited at a cash consideration of RMB55 million (equivalent to HK$56 million) and shares consideration at HK$1.10 per share of the Company amounting to HK$110 million. The shareholding of the Company in Hua Yi Copper will be substantially diluted to approximately 46%, after taking into account the dilution effect from the above placements of Hua Yi Copper. The transaction has not been completed up to the report date and the Company is still in the process in assessing the financial impact of the transactions.

As at 30 June 2007, the major classes of assets and liabilities of Hua Yi Copper, which is engaged in the manufacture and trading copper rods were as follows:

	HK$'000
Property, plant and equipment	172,140
Prepaid lease payments for land	37,223
Interest in a jointly controlled entity	18,023
Loans receivable	46,898
Inventories	302,926
Debtors, other loans and receivables, deposits and prepayments	403,360
Bills receivable	17,732
Derivative financial assets	1,651
Pledged deposits	72,583
Bank balances and cash	157,135
Assets classified as held for sale	79,744
Creditors, other advances and accrued charges	(59,613)
Bills payable	(142,110)
Taxation	(5,241)
Obligations under finance leases	(466)
Borrowings	(601,136)
Derivatives financial liabilities	(1,362)
Liabilities associated with assets classified as held for sale	(20,332)
Deferred tax liabilities	(15,748)
	463,407

During the fifteen months period ended 30 June 2005, the subsidiaries to be disposed of have contributed/utilised a cash outflow of HK$120,899,000 to the Group's operating activities, cash inflow of HK$21,469,000 to the Group's investing activities and cash inflow of HK$80,710,000 to the Group's financing activities.

During the year ended 30 June 2006, the subsidiaries to be disposed of have contributed/utilised a cash inflow of HK$50,120,000 to the Group's operating activities, cash outflow of HK$200,131,000 in the Group's investing activities and cash inflow of HK$208,678,000 to the Group's financing activities.

During the year ended 30 June 2007, the subsidiaries to be disposed of have contributed/utilised a cash outflow of HK$6,722,000 to the Group's operating activities, cash outflow of HK$37,117,000 in the Group's investing activities and cash inflow of HK$83,797,000 in the Group's financing activities.

The subsidiaries to be disposed of have contributed HK$2,748,039,000 to the Group's turnover and a loss of HK$14,154,000 to the Group's loss for the year ended 30 June 2007.

The following is a summary of the audited consolidated income statements, consolidated balance sheets and consolidated cash flow statements of Hua Yi Copper Holdings Limited ("Hua Yi Copper") and its subsidiaries for the period from 1 January 2004 to 30 June 2005 and for the two years ended 30 June 2006 and 30 June 2007 as extracted from the relevant annual reports of Hua Yi Copper:

Consolidated Income Statements of Hua Yi Copper Holdings Limited

	Continuing operation			Discontinued operations			Total		
	1.4.2004 to 30.6.2005	**1.7.2005 to 30.6.2006**	**1.7.2006 to 30.6.2007**	**1.4.2004 to 30.6.2005**	**1.7.2005 to 30.6.2006**	**1.7.2006 to 30.6.2007**	**1.4.2004 to 30.6.2005**	**1.7.2005 to 30.6.2006**	**1.7.2006 to 30.6.2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	1,410,857	1,424,450	2,666,903	42,964	88,716	81,136	1,453,821	1,513,166	2,748,039
Cost of sales	(1,356,217)	(1,339,771)	(2,590,271)	(34,617)	(73,619)	(67,383)	(1,390,834)	(1,413,390)	(2,657,654)
Gross profit	54,640	84,679	76,632	8,347	15,097	13,753	62,987	99,776	90,385
Other income	22,959	9,635	785	2,857	3,281	1,264	25,816	12,916	2,049
Interest income	481	2,372	3,993	108	612	705	589	2,984	4,698
General and administrative expenses	(19,181)	(31,996)	(32,119)	(8,074)	(11,384)	(10,180)	(27,255)	(43,380)	(42,299)
Selling and distribution expenses	(2,142)	(246)	(3,832)	(3,200)	(4,339)	(2,871)	(5,342)	(4,585)	(6,703)
Change in fair value of derivative financial instruments	–	70,157	19,017	–	–	–	–	70,157	19,017
Allowance for doubtful debts	(3,825)	–	(6,787)	–	–	(181)	(3,825)	–	(6,968)
Impairment loss arising from adjustment to fair value less cost to sell	–	–	–	–	–	(28,000)	–	–	(28,000)
Finance costs	(23,583)	(26,043)	(43,874)	(3,458)	(2,346)	(2,742)	(27,041)	(28,389)	(46,616)
Discount arising on acquisition	–	–	–	10,341	–	–	10,341	–	–
Loss on disposal of a subsidiary	–	–	–	(7,502)	–	–	(7,502)	–	–
Share of result of a jointly controlled entity	–	10	(369)	–	–	–	–	10	(369)
Profit (loss) before taxation	29,349	108,568	13,446	(581)	921	(28,252)	28,768	109,489	(14,806)
Tax (expense) credit	(8,702)	(16,795)	779	377	(2,390)	(127)	(8,325)	(19,185)	652
Profit (loss) for the period/year	20,647	91,773	14,225	(204)	(1,469)	(28,379)	20,443	90,304	(14,154)
Dividends									
Paid	–	6,671	23,467	–	–	–	–	6,671	23,467
Earnings (loss) per share from continuing and discontinued operations									
– Basic							4.26 HK cents	13.66 HK cents	(2.11) HK cents
– Diluted							4.26 HK cents	13.66 HK cents	(2.08) HK cents
from continuing operation									
– Basic							4.30 HK cents	13.88 HK cents	2.12 HK cents
– Diluted							4.30 HK cents	13.88 HK cents	2.09 HK cents

Consolidated Balance Sheets of Hua Yi Copper Holdings Limited

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	137,390	152,381	172,140
Prepaid lease payments for land – non-current portion	61,151	67,652	53,531
Prepayment for acquisition of property, plant and equipment	–	79,733	–
Interest in a jointly controlled entity	–	17,485	18,023
Loans receivable	–	–	46,898
	198,541	317,251	290,592
Current assets			
Inventories	161,921	195,580	302,926
Debtors, other loans and receivables, deposits and prepayments	219,805	440,963	403,360
Bills receivable	3,268	1,251	17,732
Prepaid lease payments for land – current portion	1,368	1,774	1,340
Derivative financial assets	–	6,063	1,651
Pledged deposits	31,801	67,180	72,583
Bank balances and cash	62,048	120,236	157,135
	480,211	833,047	956,727
Assets classified as held for sale	–	–	79,744
	480,211	833,047	1,036,471
Current liabilities			
Creditors, other advances and accrued charges	49,163	111,068	59,613
Bills payable	9,749	66,797	142,110
Taxation	2,882	8,779	5,241
Obligations under finance leases	340	211	466
Borrowings	288,670	445,731	601,136
Bank overdrafts	1,180	70	–
Derivative financial liabilities	–	1,478	1,362
	351,984	634,134	809,928
Liabilities associated with assets classified as held for sale	–	–	20,332
	351,984	634,134	830,260

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Net current assets	128,227	198,913	206,211
Total assets less current liabilities	326,768	516,164	496,803
Non-current liabilities			
Obligations under finance leases	429	218	–
Deferred tax liabilities	7,400	14,937	15,748
	7,829	15,155	15,748
	318,939	501,009	481,055
Capital and reserves			
Share capital	111,095	133,428	134,627
Reserves	207,844	367,581	346,428
	318,939	501,009	481,055

Consolidated Cash Flow Statements of Hua Yi Copper Holdings Limited

	1.4.2004 to 30.6.2005 *HK$'000*	1.7.2005 to 30.6.2006 *HK$'000*	1.7.2006 to 30.6.2007 *HK$'000*
Operating activities			
Profit (loss) before taxation	28,768	109,489	(14,806)
Adjustments for:			
Depreciation of property, plant and equipment	13,612	10,123	15,352
Charge of prepaid lease payment for land	1,255	1,830	1,760
Impairment loss arising from adjustment to fair value less cost to sell	–	–	28,000
Equity settled share based payments	–	3,608	2,202
Change in fair value of derivative financial instruments	–	(70,157)	(19,017)
Allowance for doubtful debts	3,825	–	6,968
Discount on acquisition	(10,341)	–	–
Loss on disposal of a subsidiary	7,502	–	–
Write-down of inventories	–	–	423
Interest income	(589)	(2,984)	(4,698)
Finance costs	27,041	28,389	46,616
Share of result of a jointly controlled entity	–	(10)	369
Operating cash flows before movements in working capital	71,073	80,288	63,169
Increase in inventories	(72,948)	(33,659)	(149,865)
(Increase) Decrease in debtors, other loans and receivables, deposits and prepayments	(102,851)	(146,793)	35,222
(Increase) decrease in bills receivable	(2,590)	2,017	(16,481)
(Decrease) increase in creditors, other advances and accrued charges	(251)	34,389	(40,966)
(Decrease) increase in bills payable	(10,922)	57,048	81,626
Decrease in derivative financial instruments	–	62,581	23,313
Cash (used in) from operations	(118,489)	55,871	(3,982)
Hong Kong Profits Tax paid	(93)	(1,123)	(1,362)
Taxation in Mainland China	(2,317)	(4,628)	(1,378)
Net cash (used in) generated from operating activities	(120,899)	50,120	(6,722)

	1.4.2004 to 30.6.2005	1.7.2005 to 30.6.2006	1.7.2006 to 30.6.2007
	HK$'000	*HK$'000*	*HK$'000*
Investing activities			
Interest received	589	2,984	4,698
Loan advanced to a third party	–	–	(15,338)
Purchase of property, plant and equipment	(13,708)	(22,606)	(18,953)
Proceeds on disposal of property, plant and equipment	–	–	3,267
Additions of prepaid lease premium for land	–	(6,946)	–
Prepayment for acquisition of property, plant and equipment	–	(120,709)	–
Acquisition of subsidiaries	40,404	–	–
Disposal of subsidiaries	10,985	–	–
Capital contribution to a jointly controlled entity	–	(17,475)	–
Increase in pledged deposits	(16,801)	(35,379)	(10,791)
Net cash from (used in) investing activities	21,469	(200,131)	(37,117)
Financing activities			
Interest paid on bank and other borrowings	(22,836)	(33,028)	(43,061)
Interest paid on finance leases	(41)	(23)	(25)
Repayment of obligations under finance leases	(369)	(340)	(427)
Proceeds from issue of shares	24,098	97,863	1,649
Expenses incurred in connection with the issue of shares	(1,077)	(5,095)	–
New bank loans raised	133,862	234,991	241,665
Repayment of bank loans	(149,205)	(143,167)	(269,100)
New trust receipt loans raised	1,071,557	973,731	1,670,977
Repayment of trust receipt loans	(960,495)	(881,631)	(1,496,351)
New invoices financing loan raised	202,606	–	–
Repayment of invoice financing loans	(218,553)	(27,257)	–
Additions (repayment) of other loans	1,163	(695)	1,937
Dividends paid	–	(6,671)	(23,467)
Net cash from financing activities	80,710	208,678	83,797

	1.4.2004 to 30.6.2005 *HK$'000*	1.7.2005 to 30.6.2006 *HK$'000*	1.7.2006 to 30.6.2007 *HK$'000*
Net (decrease) increase in cash and cash equivalents	(18,720)	58,667	39,958
Effect of foreign exchange rate changes	–	631	1,736
Cash and cash equivalents at beginning of the period/year	79,588	60,868	120,166
Cash and cash equivalents at end of the period/year	60,868	120,166	161,860
Analysis of the balances of cash and cash equivalents			
Being:			
Bank balances and cash	62,048	120,236	157,135
Bank overdrafts	(1,180)	(70)	–
	60,868	120,166	157,135
Bank balances and cash attributable to assets classified as held for sale	–	–	4,725
	60,868	120,166	161,860

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group or any of its subsidiaries have been prepared in respect of any period subsequent to 30 June 2007.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

SHARE CAPITAL

Authorised and issued share capital

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Shares		*HK$*
Authorised:		
30,000,000,000	Authorised share capital of HK$300,000,000 divided into 30,000,000,000 Shares	300,000,000
Issued and fully paid:		
597,754,362	Paid up share capital of HK$5,977,543.62 divided into 597,754,362 Shares	5,977,543.62

INDEBTEDNESS

As at close of business on 31 October 2007, being the latest practicable date for the purpose of this indebtedness statement, the Group and Yeading Enterprises Limited ("Yeading") had outstanding borrowings as follows:

	The Group	Yeading
	HK$'000	*HK$'000*
Borrowings:		
Bank loans	226,242	–
Trust receipt loans	436,962	–
Invoice financing loans	22,448	–
Discounted bills with recourse	31,379	–
	717,031	–
Obligations under finance lease	9,145	–
Total borrowings	726,176	–
Secured	330,863	–
Unsecured	395,313	–
	726,176	–
Pledge of assets		
Property, plant and equipment	128,722	–
Land use rights	26,900	–
Fixed bank deposits	62,053	–
Trade debtors	22,448	–
	240,123	–

The Group's borrowings were secured by the charge over certain properties, plant and equipment, bank deposits and land use rights.

Saved as disclosed above, the Group and Yeading did not have any outstanding mortgages, charges, debentures or other loan capital issued and outstanding or agreed to be issued, bank overdrafts or loans or other similar indebtedness, hire-purchase commitments, liabilities under acceptance or credits, guarantees or other material contingent liabilities at the close of business on 31 October 2007.

For the purpose of the above indebtedness statement, the figures for the Group have been translated from foreign currencies to HK$ based on the following exchange rates:

United States Dollar 1.00 = HK$7.80
Renminbi 1.00 = HK$1.0204

WORKING CAPITAL

The Directors are of the opinion that, taking into account the internal resources, the present available banking facilities, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this circular.

MATERIAL ADVERSE CHANGE

The Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial or trading position of the Group since 30 June 2007, being the date to which the latest published audited accounts of the Group were made up.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the auditors and reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

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Deloitte Touche Tohmatsu
35/F One Pacific Place
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31 December 2007

The Directors
Solartech International Holdings Limited
No. 7, 2/F, Kingsford Industrial Centre
13 Wang Hoi Road
Kowloon
Hong Kong

Dear Sirs,

We set out below our report on the combined financial information of Yeading Enterprises Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") including the balance sheets of the Target Group as at 31 December 2004, 2005 and 2006 and 30 September 2007, and income statements, cash flow statements and statements of changes in equity for the period from 3 March 2004 (being the date of establishment of one of its subsidiaries, Chengde Jianfeng Mining Industry Group Long Hua Long Xin Mining Industry Company Limited (承德劍鋒礦業集團隆化隆鑫礦業有限公司) to 31 December 2004, each of the two years ended 31 December 2005 and 2006 and the nine months ended 30 September 2007 (the "Relevant Periods") and notes thereto (the "Financial Information"), together with the unaudited combined financial information of the Target Group including the income statement, cash flow statement and statement of changes in equity for the nine months ended 30 September 2006 (the "30 September 2006 Financial Information"), prepared for inclusion in the circular (the "Circular") dated 31 December 2007 issued by Solartech International Holdings Limited in connection with the major acquisition of the entire equity interest in the Target Company and the partial disposal of equity interest in Hua Yi Copper Holdings Limited.

The Target Company was incorporated in the British Virgin Islands with limited liability on 18 January 2005 with an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each. The registered office of the Target Company is Palm Grove House P.O. Box 438, Road Town, Tortola, British Virgin Islands.

The principal activity of the Target Company is investment holding. As at the date of this report, the Target Company has the following subsidiaries:

Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Target Company Directly	Indirectly	Principal activities
Meyton Investment Limited ("Meyton")	8 August 2007 Hong Kong	HK$1	100% *(note 1)*	–	Investment holding
青島華鑫礦業有限公司 Qingdao Hua Xin Mining Industry Company Limited ("Qingadao Hua Xin")#	18 September 2007 The People's Republic of China (the "PRC")	RMB30,000,000	–	100% *(note 1)*	Investment holding
青島鴻瑞礦業有限公司 Qingdao Hong Rui Mining Industry Company Limited ("Qingdao Hong Rui")#	16 January 2006 PRC	RMB1,000,000	–	100% *(note 1)*	Investment holding
隆化華匯鑫福礦業有限公司 Long Hua Hua Hui Xin Fu Mining Industry Company Limited ("Long Hua Hua Hui")#	30 August 2005 PRC	RMB500,000	–	95% *(note 2)*	Investment holding
承德劍鋒礦業集團隆化隆鑫礦業有限公司 (Chengde Jianfeng Mining Industry Group Long Hua Long Xin Mining Industry Company Limited) ("Long Hua Long Xin")#	3 March 2004 PRC	RMB5,000,000	–	95% *(note 3)*	Manufacture and sale of iron ore concentrated powder

\# *A limited liability company established in the PRC*

Notes:

1. Ms. Xie Zhimin held the entire beneficial interest of the Target Company, Meyton, Qingdao Hua Xin and Qingdao Hong Rui during the Relevant Periods.

   In October 2007, Ms. Xie Zhimin, through Meyton, contributed RMB30,000,000 to Qingadao Hua Xin as the registered capital of Qingadao Hua Xin, which then becomes the wholly-owned subsidiary of Meyton.

2. At the date of this report, the remaining 5% equity interest in Long Hua Hua Hui was held by 北京華匯國際礦業投資開發有限公司("北京華匯"), a limited company established in the PRC and controlled by Ms. Xie Zhimin. At 31 December 2005 and 31 December 2006, Ms. Xie Zhimin had 80% beneficial interest in Long Hua Hua Hui and the remaining 20% interest was held by 承德鑫龍礦業有限公司, an independent third party to the Target Group. On 3 September 2007, Ms. Xie Zhimin acquired the 20% interest of Long Hua Hua Hui held by 承德鑫龍礦業有限公司 at its carrying amount.

3. At the date of this report, the remaining 5% equity interest in Long Hua Long Xin was held by Mr. Gu Jun Jie who held the beneficial interest in Long Hua Long Xin on behalf of Ms. Xie Zhimin. Effectively, Ms. Xie Zhimin held the entire beneficial interest of Long Hua Long Xin during the Relevant Periods.

During the Relevant Periods, Meyton, Qingdao Hua Xin, Qingdao Hong Rui, Long Hua Hua Hui and Long Hua Long Xin were under the common control of Ms. Xie Zhimin. Upon the completion of group restructuring on 25 October 2007, Meyton, Qingdao Hua Xin, Qingdao Hong Rui, Long Hua Hua Hui and Long Hua Long Xin became the subsidiaries of the Target Company.

No audited financial statements have been prepared for the Target Company and its subsidiaries since their dates of incorporation/establishment.

For the purposes of this report, the director of the Target Company has prepared the combined financial statements (the "Underlying Financial Statements") of the Target Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). We have, for the purpose of this report, carried out appropriate audit procedures in respect of the Underlying Financial Statements of the Target Group for the Relevant Periods, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information as set out in this report has been prepared from the Underlying Financial Statements, with no adjustments made thereon and in accordance with HKFRSs on the basis set out in note 1 of Section A below. For the purpose of this report, we have examined the Underlying Financial Statements of the Target Group in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Underlying Financial Statements are the responsibility of the director of the Target Company who approved their issue. The director of the Target Company is responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

Basis for qualified opinion

We did not attend the physical count of the Target Group's inventories at 31 December 2004, 31 December 2005, 31 December 2006 and 30 September 2007. There were no practicable alternative audit procedures that we could apply to verify the existence and condition of the Target Group's inventories at the respective dates. Accordingly, we were unable to satisfy ourselves as to whether the balance of the Target Group's inventories included in the Target Group's combined balance sheets at 31 December 2004, 31 December 2005, 31 December 2006 and 30 September 2007 was fairly stated. Any adjustments found to be necessary would affect the net assets of the Target Group and its results for the Relevant Periods.

Qualified opinion arising from limitation of audit scope

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves on the matters described in the basis for qualified opinion paragraph, the Financial Information gives a true and fair view of the state of affairs of the Target Group and the Target Company as at 31 December 2004, 31 December 2005, 31 December 2006 and 30 September 2007 and of the results and cash flows of the Target Group for the Relevant Periods.

For the purpose of this report, we have reviewed the 30 September 2006 Financial Information, which is prepared in accordance with Hong Kong Financial Reporting Standards and for which the director of the Target Company is responsible, in accordance with the Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the HKICPA. Our review consisted principally of making enquires of group management and applying analytical procedures to the 30 September 2006 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30 September 2006 Financial Information.

The scope of our review was limited, because as noted above, we did not attend the physical count of the Target Group's inventories at 31 December 2005 and 31 December 2006. Additionally, we did not attend the physical count of the Target Group's inventories at 30 September 2006. In these circumstances we were unable to carry out all the review procedures, or obtain all the information and explanations we considered necessary. Any adjustments found to be necessary would affect the net assets of the Target Group and its results for the nine months ended 30 September 2006.

On the basis of our review which does not constitute an audit, with the exception of the possible adjustments that might have been determined to be necessary had the above limitation not existed, we are not aware of any material modifications that should be made to the 30 September 2006 Financial Information.

A. FINANCIAL INFORMATION

COMBINED INCOME STATEMENTS

	Notes	For the period from 3 March 2004 to 31 December 2004 *RMB'000*	For the year ended 31 December 2005 *RMB'000*	2006 *RMB'000*	Nine months ended 30 September 2006 *RMB'000* (Unaudited)	2007 *RMB'000*
Turnover	*6*	717	17,425	12,879	7,309	14,943
Cost of sales		(1,204)	(19,827)	(15,277)	(8,849)	(12,933)
Gross (loss) profit		(487)	(2,402)	(2,398)	(1,540)	2,010
Other income		–	6	298	277	1
Administrative expenses		(2,460)	(3,426)	(2,103)	(1,360)	(1,718)
Finance costs	*7*	–	(106)	(141)	(141)	–
(Loss) profit before tax	*8*	(2,947)	(5,928)	(4,344)	(2,764)	293
Income tax expense	*9*	–	–	–	–	–
(Loss) profit for the period/year		(2,947)	(5,928)	(4,344)	(2,764)	293

COMBINED BALANCE SHEETS

		As at 31 December			As at 30 September
		2004	2005	2006	2007
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*11*	15,712	29,627	31,112	29,973
Prepayment for acquisition of property, plant and equipment		7,039	–	–	–
Prepaid lease payments for land – non-current portion	*12*	963	878	791	704
		23,714	30,505	31,903	30,677
Current assets					
Inventories	*13*	2,827	2,156	1,664	2,878
Trade and other receivables	*14*	1,208	2,548	971	620
Amounts due from related companies	*15*	–	–	1,288	230
Prepaid lease payments for land – current portion	*12*	110	110	105	105
Bank balances and cash	*16*	2,349	601	1,925	3,435
		6,494	5,415	5,953	7,268
Current liabilities					
Trade and other payables	*17*	4,081	3,847	4,256	7,841
Amounts due to related companies	*18*	24,074	29,448	40,319	35,872
Bank borrowing	*19*	–	6,000	–	–
		28,155	39,295	44,575	43,713
Net current liabilities		(21,661)	(33,880)	(38,622)	(36,445)
Total assets less current liabilities		2,053	(3,375)	(6,719)	(5,768)
Capital and reserves (deficit)					
Paid-up capital	*20*	5,000	5,400	6,400	1,000
Capital reserve		–	–	–	6,158
Accumulated losses		(2,947)	(8,875)	(13,219)	(12,926)
		2,053	(3,475)	(6,819)	(5,768)
Minority interest		–	100	100	–
Total equity		2,053	(3,375)	(6,719)	(5,768)

BALANCE SHEETS

		As at 31 December			As at 30 September
		2004	**2005**	**2006**	**2007**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current asset					
Bank balances and cash	*16*	–	–	–	–
Capital					
Paid-up capital	*20*	–	–	–	–

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company						
	Paid-up capital	**Capital surplus**	**Capital contribution**	**Accumulated losses**	**Total**	**Minority interest**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 1)	*(Note 2)*				
Loss for the period and total recognised expense from 3 March 2004 to 31 December 2004	–	–	–	(2,947)	(2,947)	–	(2,947)
Capital injection	5,000	–	–	–	5,000	–	5,000
At 31 December 2004	5,000	–	–	(2,947)	2,053	–	2,053
Loss for the year and total recognised expense for the year	–	–	–	(5,928)	(5,928)	–	(5,928)
Capital injection	400	–	–	–	400	100	500
At 31 December 2005	5,400	–	–	(8,875)	(3,475)	100	(3,375)
Loss for the year and total recognised expense for the year	–	–	–	(4,344)	(4,344)	–	(4,344)
Capital injection	1,000	–	–	–	1,000	–	1,000
At 31 December 2006	6,400	–	–	(13,219)	(6,819)	100	(6,719)
Profit for the period and total recognised income for the period	–	–	–	293	293	–	293
Capital injection	–	275	–	–	275	–	275
Acquisition of additional interest of a subsidiary	–	–	–	–	–	(100)	(100)
Waiver of amount due to related company	–	–	5,883	–	5,883	–	5,883
Payment to related parties upon transfer of interests in subsidiaries to Qingdao Hong Rui *(Note 3)*	(5,400)	–	–	–	(5,400)	–	(5,400)
At 30 September 2007	1,000	275	5,883	(12,926)	(5,768)	–	(5,768)

	Attributable to the equity holders of the Company				
	Paid-up capital	**Accumulated losses**	**Total**	**Minority interest**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the nine months ended 30 September 2006 (Unaudited)					
At 1 January 2006	5,400	(8,875)	(3,475)	100	(3,375)
Loss for the period and total recognised expense for the period	–	(2,764)	(2,764)	–	(2,764)
Capital injection	1,000	–	1,000	–	1,000
At 30 September 2006	6,400	(11,639)	(5,239)	100	(5,139)

Notes:

1. It represented the capital injection from shareholders of Long Hua Long Xin and Long Hua Hua Hui.

2. During 2007, a related company controlled by Ms. Xie Zhimin waived an amount due from Long Hua Long Xin of RMB5,883,000.

3. Upon the completion of group restructuring, certain subsidiaries which were previously held by a related company controlled by Ms. Xie Zhimin and of which financial information has already been combined in the Financial Information for the Relevant Periods under merger accounting, have been acquired by Qingdao Hua Rui at their aggregate carrying amounts of RMB5,400,000. The consideration represents the registered capital of these subsidiaries and is eliminated against paid-up capital, upon the completion of the group restructuring.

COMBINED CASH FLOW STATEMENTS

	For the period from 3 March 2004 to 31 December 2004	For the year ended 31 December 2005	For the year ended 31 December 2006	Nine months ended 30 September 2006	Nine months ended 30 September 2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Operating activities					
(Loss) profit before tax	(2,947)	(5,928)	(4,344)	(2,764)	293
Adjustments for:					
Depreciation of property, plant and equipment	151	2,063	2,934	2,167	2,428
Charge of prepaid lease payments for land	78	85	92	69	87
Loss on disposal of property, plant and equipment	–	–	102	102	–
Interest income	–	(4)	–	–	(1)
Finance costs	–	106	141	141	–
Operating cash flows before movement in working capital	(2,718)	(3,678)	(1,075)	(285)	2,807
(Increase) decrease in inventories	(2,626)	671	504	(431)	(1,155)
(Increase) decrease in amounts due from related companies	–	–	(1,288)	(5,678)	1,058
(Increase) decrease in trade and other receivables	(1,208)	(1,340)	1,577	77	351
Increase (decrease) in trade and other payables	4,081	(234)	409	1,625	3,585
Net cash (used in) from operating activities	(2,471)	(4,581)	127	(4,692)	6,646
Investing activities					
Interest received	–	4	–	–	1
Purchase of property, plant and equipment	(16,064)	(8,939)	(5,213)	(4,271)	(1,348)
Prepayment for acquisition of property, plant and equipment	(7,039)	–	–	–	–
Additions of prepaid lease payments for land	(1,151)	–	–	–	–
Acquisition of additional interest in subsidiary from a minority shareholder	–	–	–	–	(100)
Proceeds from disposal of property, plant and equipment	–	–	680	680	–
Net cash used in investing activities	(24,254)	(8,935)	(4,533)	(3,591)	(1,447)

	For the period from 3 March 2004 to 31 December	For the year ended 31 December		Nine months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Financing activities					
Interest paid	–	(106)	(141)	(141)	–
New bank borrowing raised	–	6,000	–	–	–
Repayment of bank borrowing	–	–	(6,000)	(6,000)	–
Payment to related parties upon transfer of interests in subsidiaries to Qingdao Hong Rui	–	–	–	–	(5,400)
Capital contributions	5,000	400	1,000	1,000	275
Capital contribution from a minority shareholder	–	100	–	–	–
Advances from related companies	24,074	5,374	10,871	14,639	1,436
Net cash from (used in) financing activities	29,074	11,768	5,730	9,498	(3,689)
Net increase (decrease) in cash and cash equivalents	2,349	(1,748)	1,324	1,215	1,510
Cash and cash equivalents at the beginning of the period/year	–	2,349	601	601	1,925
Cash and cash equivalents at the end of period/year, represented by bank balances and cash	2,349	601	1,925	1,816	3,435

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Financial Information and the 30 September 2006 Financial Information set out in this report has been prepared in accordance with all applicable HKFRSs, which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA and has been consistently applied throughout the Relevant Periods.

The Target Group is regarded as a continuing entity resulting from a group restructuring since all companies within the Target Group were under common control before and immediately after the group restructuring. Consequently, immediately after the group restructuring, there was a continuation of the risks and benefits to the ultimate shareholder that existed prior to the group restructuring. The group restructuring has been accounted for as a group restructuring under common control in a manner similar to pooling of interests. Accordingly, the combined financial information has been prepared on the basis of merger accounting.

The Financial Information and the 30 September 2006 Financial Information also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The Financial Information has been presented in Renminbi ("RMB"), which is the functional currency of the Target Company.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Target Group was in net current liabilities and net liabilities position at 30 September 2007. However, the Financial Information has been prepared on a going concern basis because the Target Group has obtained RMB30,000,000 capital contribution from Ms. Xie Zhimin in October 2007 and Hua Yi Copper Holdings Limited has agreed to provide continuous financial support to the Target Group to enable the Target Group to have adequate funds to meet in full its financial liabilities as they fall due for the foreseeable future.

The Financial Information has been prepared on the basis of merger accounting in accordance with the Accounting Guideline No. 5 "Merger Accounting for Common Control Combination" issued by the HKICPA, under which the Target Company is considered as the holding company of the Target Group during the Relevant Periods. The results and cash flows of the Target Group for the Relevant Periods include the results and cash flows of the Target Company and its subsidiaries from 3 March 2004, being the date of incorporation of Long Hua Long Xin, or since the dates of incorporation/establishment of the Target Company and its subsidiaries whichever is shorter, as if the current group structure had been in existence throughout the Relevant Periods, except for the acquisition of 20% equity interest of Long Hua Hua Hui held by 承德鑫龍礦業有限公司 on 3 September 2007, which has been accounted for from the effective date of the acquisition in accordance with the equity interest in Long Hua Hua Hui attributable to Ms. Xie Zhimin. The combined balance sheets as at respective balance sheet dates of the Relevant Periods is a combination of the balance sheets of the Target Company and its subsidiaries at each balance sheet date as if the current group structure had been in existence at these dates.

3. APPLICATIONS OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Target Group has not early adopted the following new standards, amendment and interpretations that have been issued but are not yet effective. The director of the Target Company anticipates that the application of these standards, amendment and interpretations will have no material impact on the results and the financial position of the Target Group.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC)-INT 12	Service Concession Agreements[3]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[4]
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with the accounting policies set out below which conform which Hong Kong Financial Reporting Standards. The principal accounting polices adopted are set out below.

Basis of combination

The combined financial statements incorporate the financial statements of the Target Company and entities controlled by the Target Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Target Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Target Group.

All significant intergroup transactions, balances, income and expenses are eliminated on combination.

Minority interests in the net assets of subsidiaries are presented separately from the Target Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Merger accounting

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the combined financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties. The combined entity recognises the assets, liabilities and equity of the combining entities or business at the carrying amounts in the combined financial statements of the controlling party or parties prior to the common control combinations.

Business combinations

Goodwill, if any, arising on acquisition of additional interests in subsidiaries is determined based on the book value of the net assets attributable to the interests.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leasehold land

Leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease. Prepaid lease payment represents lease payment paid for the right to use the land on which various plants and buildings are situated for a definite period. Prepaid lease payment is released to profit or loss on a straight-line basis over the period of the rights.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (i.e. RMB) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Borrowing costs

All borrowing costs are recognised as an expense and included in finance costs in the combined income statement in the period in which they are incurred.

Retirement benefit costs

Contribution to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period/year. Taxable profit differs from profit as reported in the combined income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes combined income statement items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

Property, plant and equipment, other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the combined income statement in the period/year in which the item is derecognised.

Impairment of assets

At each balance sheet date, the Target Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Target Group's financial assets are classified as loans and receivables. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, amounts due from related companies and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment loss. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Bank borrowings are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Other financial liabilities

Other financial liabilities including trade and other payables and amounts due to related companies are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Target Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

5. FINANCIAL INSTRUMENTS

(a) Capital risk management

The Target Group's objectives when managing capital are:

- To safeguard the Target Group's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;
- To support the Target Group's stability and growth; and
- To provide capital for the purpose of strengthening the Target Group's risk management capability.

The Target Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Target Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Target Group currently does not adopt any formal dividend policy. Management regards total equity as capital, for capital management purpose.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 4.

(c) Categories of financial instruments

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	2,349	601	3,213	3,858
Financial liabilities				
Amortised cost	28,155	39,295	44,575	43,713

(d) Financial risk management objectives

The Management of the Target Group monitors and manages the financial risks relating to the operations of the Target Group through their degree of magnitude of risks. These risks include credit risk and liquidity risk.

(e) Credit risk management

The Target Group's credit risks are primarily attributable to its trade receivables, amounts due from related companies and bank balances. The outstanding amounts of trade receivables and amounts due from related companies at 30 September 2007 were not significant to the Target Group and the exposure to credit risk was reduced.

The credit risk on liquid funds is limited because the counterparties are state-owned banks or financial institutions with good reputation.

(f) Liquidity risk management

At 30 September 2007, the Target Group had net liabilities. The director of the Target Company considers that liquidity risk is limited after considering the cash flow of the Target Group in the foreseeable future. The Target Group manages liquidity risk by maintaining adequate working capital and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Despite of the net liabilities position of the Target Group at 30 September 2007, the Target Group has obtained RMB30,000,000 capital contribution from Ms. Xie Zhimin in October 2007 and Hua Yi Copper Holdings Limited has agreed to provide continuous financial support to the Target Group to enable the Target Group to have adequate funds to meet in full its financial liabilities as they fall due for the foreseeable future, the exposure to liquidity risk is significantly reduced.

Liquidity and interest risk tables

The following tables detail the Target Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 3 months	3 to 6 months	Total	Carrying amounts
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2004					
Non-interest bearing	N/A	28,155	–	28,155	28,155
At 31 December 2005					
Non-interest bearing	N/A	33,295	–	33,295	33,295
Fixed interest rate instruments	6.975%	106	6,141	6,247	6,000
		33,401	6,141	39,542	39,295
At 31 December 2006					
Non-interest bearing	N/A	44,575	–	44,575	44,575
At 30 September 2007					
Non-interest bearing	N/A	43,713	–	43,713	43,713

(g) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The director of the Target Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values.

6. TURNOVER

Turnover represents the amounts received, or receivable for the sale of iron-ore concentrated powder during the Relevant Periods.

7. FINANCE COSTS

	For the period from 3 March 2004 to 31 December	For the year ended 31 December		Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest on bank borrowing wholly repayable within one year	–	106	141	141	–

8. (LOSS) PROFIT BEFORE TAX

	For the period from 3 March 2004 to 31 December	For the year ended 31 December		Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
(Loss) profit before tax is arrived at after charging:					
Depreciation of property, plant and equipment	352	2,063	2,946	2,167	2,487
Less: Amount capitalised in inventories	(201)	–	(12)	–	(59)
	151	2,063	2,934	2,167	2,428
Charge of prepaid lease payments	78	85	92	69	87
Payment for mining rights *(note)*	20	20	–	–	–
Auditors' remuneration	–	–	–	–	–
Loss on disposal of property, plant and equipment	–	–	102	102	–
Staff salaries and allowances	1,052	2,662	1,625	1,220	1,507
Retirement benefit scheme contribution	189	479	292	220	266
	1,241	3,141	1,917	1,440	1,773
Less: Amount capitalised in inventories	(709)	–	(8)	–	(42)
	532	3,141	1,909	1,440	1,731
and after crediting:					
Interest income	–	4	–	–	1

Note: Pursuant to a Mining Right Transfer Agreement dated 20 December 2003 entered into between Long Hua Hua Xin and 隆化縣中關鎮中興礦業服務站, an independent third party of the Target Group, Long Hua Hua Xin was required to pay RMB20,000 annually to 隆化縣中關鎮中興礦業服務站 until Aug 2005, the expiry date of the mining right certificate, for the transfer of the ownership of the mining right certificate to Long Hua Hua Xin. The mining right certificate is subject to renewal for every three years and the renewal fee paid to the local government was insignificant to the Target Group.

9. INCOME TAX EXPENSE

No provision for the PRC Enterprise Income Tax has been made as the Target Group incurred tax losses for the periods from 3 March 2004 to 31 December 2004 and for the years ended 2005 and 2006 and the assessable profit for the nine months ended 30 September 2007 was wholly absorbed by the tax losses brought forward.

Pursuant to the new PRC Enterprise Income Tax Law promulgated on 16 March 2007, the enterprise income tax for both domestic and foreign-invested enterprises will be unified at 25% effective from 1 January 2008. The change in tax rate has no significant impact to the Financial Information of the Target Group.

At 30 September 2007, the Target Group has unused tax losses of RMB12,926,000 (31.12.2004: RMB2,947,000; 31.12.2005: RMB8,875,000; 31.12.2006; RMB13,219,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the balance sheet dates will expire in the following years:

	31 December			30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2009	2,947	2,947	2,947	2,654
2010	–	5,928	5,928	5,928
2011	–	–	4,344	4,344
	2,947	8,875	13,219	12,926

The income tax expense for the period/year can be reconciled to the (loss) profit before tax as follows:

	For the period from 3 March 2004 to 31 December	For the year ended 31 December		Nine months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss) profit before tax	(2,947)	(5,928)	(4,344)	(2,764)	293
Tax at the domestic income tax rate of 33%	(973)	(1,956)	(1,434)	(912)	97
Tax effect of tax losses not recognised	973	1,956	1,434	912	–
Tax effect of utilisation of tax losses not previously recognised	–	–	–	–	(97)
Income tax expense for the period/year	–	–	–	–	–

10. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

No directors' emoluments have been paid by the Target Group during the Relevant Periods.

(b) Five highest paid individuals

The five highest paid individuals in the Target Group for the Relevant Periods which fell within the salary band of Nil – RMB1,000,000 are as follows:

	For the period from 3 March 2004 to 31 December	For the year ended 31 December		Nine months ended 30 September	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries and allowances	93	142	163	123	139
Retirement benefit scheme contribution	17	25	29	22	25
	110	167	192	145	164

During the Relevant Periods and the nine months ended September 2006, no remuneration was paid by the Target Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Target Group or as compensation for loss of office.

11. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Plant and machinery	Office equipment, furniture and fixtures	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
THE TARGET GROUP						
COST						
Additions for the period from 3 March 2004 to 31 December 2004	7,738	10	2,657	73	5,586	16,064
Transfer	(4,073)	1,238	2,835	–	–	–
At 31 December 2004	3,665	1,248	5,492	73	5,586	16,064
Additions *(Note)*	4,967	3,254	7,753	4	–	15,978
Transfer	(3,826)	3,818	8	–	–	–
At 31 December 2005	4,806	8,320	13,253	77	5,586	32,042
Additions	1,015	2,276	1,922	–	–	5,213
Disposals	–	–	–	–	(1,014)	(1,014)
Transfer	(5,623)	5,623	–	–	–	–
At 31 December 2006	198	16,219	15,175	77	4,572	36,241
Additions	784	462	102	–	–	1,348
Transfer	(982)	41	941	–	–	–
At 30 September 2007	–	16,722	16,218	77	4,572	37,589
ACCUMULATED DEPRECIATION						
Provided for the period from 3 March 2004 to 31 December 2004	–	7	164	4	177	352
Provided for the year	–	202	784	15	1,062	2,063
At 31 December 2005	–	209	948	19	1,239	2,415
Provided for the year	–	534	1,335	15	1,062	2,946
Eliminated on disposals	–	–	–	–	(232)	(232)
At 31 December 2006	–	743	2,283	34	2,069	5,129
Provided for the period	–	578	1,102	11	796	2,487
At 30 September 2007	–	1,321	3,385	45	2,865	7,616
CARRYING VALUES						
At 31 December 2004	3,665	1,241	5,328	69	5,409	15,712
At 31 December 2005	4,806	8,111	12,305	58	4,347	29,627
At 31 December 2006	198	15,476	12,892	43	2,503	31,112
At 30 September 2007	–	15,401	12,833	32	1,707	29,973

Note: Additions of property, plant and equipment included RMB7,039,000 which were transferred from prepayment for acquisition of property, plant and equipment in 2005.

All the Target Group's buildings are located in the PRC and held under short-term leases. Depreciation is provided to write-off the cost of property, plant and equipment over their estimated useful lives, after taking into account of their estimated residual value, using the straight-line method, at the following rate per annum:

Category of property, plant and equipment	**Annual rates**
Buildings in the PRC	Over the shorter of the term of the lease, or 20 years
Plant and machinery	10%
Office equipment, furniture and fixtures	20% to 30%
Motor vehicles	20% to 30%

12. PREPAID LEASE PAYMENTS FOR LAND

	As at 31 December			**As at 30 September**
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leasehold land in the PRC under short leases	1,073	988	896	809
Analysed for reporting purposes as:				
Current asset	110	110	105	105
Non-current asset	963	878	791	704
	1,073	988	896	809

13. INVENTORIES

	As at 31 December			**As at 30 September**
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	1,573	2,156	1,593	2,560
Finished goods	1,254	–	71	318
	2,827	2,156	1,664	2,878

14. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 September
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	–	–	193
Other receivables and prepayments	1,208	2,548	971	427
	1,208	2,548	971	620

The Group allows an average credit period of 30 days to its trade customers. Trade receivables at 30 September 2007 aged within 30 days.

15. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies were trade in nature, unsecured, interest-free and repayable within 30 days. The amounts at 31 December 2006 and 30 September 2007 aged within 30 days.

The related companies were controlled by 北京華匯 which was controlled by Ms. Xie Zhimin.

16. BANK BALANCES AND CASH

Bank balances and cash comprise short term bank deposits at average prevailing market interest rates of 0.81% (31.12.2004: 0.73%; 31.12.2005: 0.73%; 31.12.2006: 0.73%) per annum.

17. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 September
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	1,582	1,982	1,958	62
Other payables and accruals	2,499	1,865	2,298	7,779
	4,081	3,847	4,256	7,841

	As at 31 December			As at 30 September
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The aging analysis of trade payables is as follows:				
Within 30 days	1,582	319	721	62
31 – 60 days	–	237	337	–
61 – 90 days	–	560	–	–
Over 90 days	–	866	900	–
	1,582	1,982	1,958	62

18. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies were unsecured, interest-free and repayable on demand.

The related companies were controlled by 北京華匯 which was controlled by Ms. Xie Zhimin.

19. BANK BORROWING

The bank borrowing at 31 December 2005 was repayable within one year, interest-bearing at fixed rate of 6.975% per annum and secured by land and buildings of an independent third party. The bank borrowing was fully repaid in 2006.

20. PAID-UP CAPITAL

Target Group

	As at 31 December			As at 30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Qingadao Hong Rui	–	–	1,000	1,000
Long Hua Hua Hui	–	400	400	–
Long Hua Long Xin	5,000	5,000	5,000	–
	5,000	5,400	6,400	1,000

The balances represented the aggregate paid-up capital of the above-mentioned companies attributable to the Target Group at the respective balance sheet dates.

As at 30 September 2007, Long Hua Hua Hui and Long Hua Long Xin were the subsidiaries of Qingadao Hong Rui after the group restructuring and the registered capital of Long Hua Hua Hui and Long Hua Long Xin attributable to the Target Group was eliminated when drawing up the combined Financial Information.

Target Company

	As at 31 December			As at 30 September
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised:				
50,000 ordinary shares of US$1 each	390	390	390	390
Issued and fully paid:				
1 ordinary share of US$1.00	–	–	–	–

21. RETIREMENT BENEFITS SCHEME

Pursuant to the PRC Government regulations, the Target Group is required to contribute to a central pension scheme in respect of the Target Group's employees based on 20% of the salaries of those employees and there is no forfeited contribution under the central pension scheme.

22. RELATED PARTY TRANSACTIONS

The balances with related parties are disclosed in notes 15 and 18 respectively.

During the Relevant Periods, the Target Group entered into the following transactions with related parties:

	For the period from 3 March 2004 to 31 December	For the year ended 31 December		Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Trade sales to related companies	717	17,425	12,879	7,309	5,282

The related companies were controlled by 北京華匯 which was controlled by Ms. Xie Zhimin.

Key management personnel compensation:

Included in staff costs are key management personnel compensation. The key management personnel are the director of the Target Company and the five highest paid employees of the Target Group, the details of their remuneration are set out in note 10.

23. SEGMENT INFORMATION

No separate analysis of segment information by business or geographical segments is presented as the Target Group's sole business is the manufacture and sale of iron-ore concentrated powder. The Target Group's results, assets and liabilities and capital expenditure are principally attributable to a single geographical region, which is the PRC.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Target Group in respect of any period subsequent to 30 September 2007.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The accompanying unaudited pro forma combined balance sheet, income statement and cash flow statement of Solartech International Holdings Limited and its subsidiaries but excluding Hua Yi Copper Holdings Limited and its subsidiaries (the "Remaining Group") ("Pro forma Financial Information"), have been prepared to illustrate the effect of conditional acquisition of entire equity interest in Yeading Enterprises Limited ("Yeading") and partial disposal of equity interest in Hua Yi Copper Holdings Limited (the "Acquisition and Disposal Transactions").

Yeading will become a subsidiary of Hua Yi Copper Holdings Limited upon the completion of the Acquisition and Disposal Transactions and therefore is excluded from the Remaining Group.

(a) Unaudited pro forma combined balance sheet of the Remaining Group

The unaudited pro forma combined balance sheet of the Remaining Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition and Disposal Transactions as if they took place on 30 June 2007.

The unaudited pro forma combined balance sheet of the Remaining Group is based on the audited consolidated balance sheet as at 30 June 2007 of the Group as set out in Appendix I to this Circular, accountants' report of Yeading Enterprises Limited as set out in Appendix II to this Circular and after making pro forma adjustments relating to the Acquisition and Disposal Transactions that are (i) directly attributable to the transactions; and (ii) factually supportable.

The unaudited pro forma combined balance sheet is based on a number of assumptions. Accordingly, the accompanying unaudited pro forma combined balance sheet of the Remaining Group does not purport to describe the actual financial position of the Group that would have attained had the Acquisition and Disposal Transactions been completed on 30 June 2007. The unaudited pro forma combined balance sheet does not purport to predict the future position of the Group.

The unaudited pro forma combined balance sheet has been prepared by the Directors for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Group following the completion of the Acquisition and Disposal Transactions.

Consolidated Balance Sheet – Remaining Group

	Solartech As at 30/6/2007 HK$'000 (audited)	Notes	Pro forma adjustments HK$'000 (unaudited)	Pro forma balance sheet of the Remaining Group HK$'000 (unaudited)
Non-current assets				
Property, plant and equipment	611,996	*(b)*	(172,140)	439,856
Prepaid lease payments for land – non-current portion	80,220	*(b)*	(37,223)	42,997
Prepayment for property, plant and equipment	22,648		–	22,648
Interests in associates	11,196	*(a)*	314,286	325,482
Interests in jointly controlled entities	18,023	*(b)*	(18,023)	–
Deferred tax assets	6,275		–	6,275
Goodwill	23,389		–	23,389
Loans receivable	46,898	*(b)*	(46,898)	–
	820,645			860,647
Current assets				
Inventories	512,092	*(b)*	(302,926)	209,166
Debtors, other loans and receivables, deposits and prepayments	516,946	*(b)*	(403,360)	113,586
Bills receivable	62,733	*(b)*	(17,732)	45,001
Prepaid lease payments for land – current portion	1,801		–	1,801
Derivative financial assets	2,034	*(b)*	(1,651)	383
Notes receivable	55,000		–	55,000
Tax recoverable	454		–	454
Pledged deposits	96,650	*(b)*	(72,583)	24,067
Bank balances and cash	286,070	*(b)*	(157,135)	128,935
	1,533,780			578,393
Assets classified as held for sale	79,744		(79,744)	–
	1,613,524			578,393
Current liabilities				
Creditors, other advances and accrued charges	232,468	*(b)*	(59,613)	172,855
Bills payable	161,019	*(b)*	(142,110)	18,909
Amount due to a shareholder	–		–	–
Taxation	11,289	*(b)*	(5,241)	6,048
Obligations under finance leases	3,185	*(b)*	(466)	2,719
Borrowings	717,719	*(b)*	(601,136)	116,583
Derivative financial liabilities	9,967	*(b)*	(1,362)	8,605
Convertible notes – debt component	72,128		–	72,128
Conversion option of convertible notes	7,167		–	7,167
	1,214,942			405,014

	Solartech As at 30/6/2007 HK$'000 (audited)	Notes	Pro forma adjustments HK$'000 (unaudited)	Pro forma balance sheet of the Remaining Group HK$'000 (unaudited)
Liabilities associated with assets classified as held for sale	20,332	*(b)*	(20,332)	–
	1,235,274			405,014
Net current assets	378,250			173,379
Total assets less current liabilities	1,198,895			1,034,026
Non-current liabilities				
Borrowings	20,408		–	20,408
Obligations under finance leases	4,821		–	4,821
Deferred consideration	16,297		–	16,297
Deferred tax liabilities	20,743	*(b)*	(15,748)	4,995
	62,269		–	46,521
	1,136,626			987,505
Capital and reserves				
Share capital	4,892		–	4,892
Reserves	933,534	*(a)*	39,913	973,447
Equity attributable to equity holders of the parent	938,426			978,339
Share option reserve of listed subsidiary	4,128	*(a)*	(4,128)	–
Minority interests	194,072	*(a)*	(184,906)	9,166
	1,136,626			987,505

(b) Unaudited pro forma combined income statement and cash flow statement of the Remaining Group

The unaudited pro forma combined income statement and cash flow statement of the Remaining Group have been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition and Disposal Transactions as if they took place on 1 July 2006.

The unaudited pro forma combined income statement and cash flow statement of the Remaining Group are based on the audited consolidated income statement and cash flow statement of the Group for the year ended 30 June 2007 as set out in Appendix I to this Circular, the accountants' report of Yeading Enterprises Limited as set out in Appendix II to this Circular and after making pro forma adjustments relating to the Acquisition and Disposal Transactions that are (i) directly attributable to the transactions; and (ii) factually supportable.

The unaudited pro forma combined income statement and cash flow statement of the Remaining Group are based on a number of assumptions. Accordingly, the accompanying unaudited pro forma combined income statement and cash flow statement of the Remaining Group do not purport to describe the results and cash flow of the Group that would have attained had the Acquisition and Disposal Transactions been completed at the beginning of the year ended 30 June 2007. The unaudited pro forma income statement and cash flow statement of the Remaining Group do not purport to predict the future results and cash flow of the Group.

The unaudited pro forma income statement and cash flow statement of the Remaining Group have been prepared by the Directors for illustrative purposes only and because of their nature, they may not give a true picture of the results and cash flow of the Group had the Acquisition and Disposal Transactions actually occurred at the beginning of the year ended 30 June 2007 or for any future period.

Consolidated Income Statement – Remaining Group

	Solartech For the year ended 30/6/2007 HK$'000 (audited)	Notes	Pro forma adjustments HK$'000 (unaudited)	Pro forma income statement of the Remaining Group HK$'000 (unaudited)
Turnover	3,859,828	*(c)*	(2,444,741)	1,415,087
Cost of sales	(3,607,825)	*(c)*	2,354,356	(1,253,469)
Gross profit	252,003			161,618
Other income	30,819	*(c)*	(2,049)	28,770
Interest income	24,863	*(c)*	(4,698)	20,165
General and administrative expenses	(178,548)	*(c)*	42,299	(136,249)
Selling and distribution expenses	(35,540)	*(c)*	6,703	(28,837)
Change in fair value of derivative financial instruments	(269)	*(c)*	(19,017)	(19,286)
Change in fair value of conversion option of convertible notes	5,325		–	5,325
Allowance for doubtful debts	(6,065)	*(c)*	6,968	903
Impairment loss arising from adjustment to fair value less cost to sell	(28,000)	*(c)*	28,000	–
Finance costs	(66,874)	*(c)*	46,616	(20,258)
Share of results of associates	148	*(d)*	(19,260)	(19,112)
Share of result of a jointly controlled entity	(369)	*(c)*	369	–
Discount acquisition of additional interests in subsidiaries	4,581			4,581
Loss on deemed disposal of a listed subsidiary	(1,067)	*(a)*	(11,458)	(12,525)
Profit (loss) before taxation	1,007			(14,905)
Taxation	(5,923)	*(c)*	(652)	(6,575)
Loss for the year	(4,916)			(21,480)
Profit (loss) attributable to:				
Equity holders of the parent	782	*(a)*	(11,458)	
		(c)	8,454	(21,482)
		(d)	(19,260)	
Minority interests	(5,698)	*(c)*	5,700	2
	(4,916)			(21,480)

Consolidated Cash Flow – Remaining Group

	Solartech For the year ended 30/6/2007 HK$'000 (audited)	Notes	Pro forma adjustments HK$'000 (unaudited)	Pro forma income statement of the Remaining Group HK$'000 (unaudited)
Operating activities				
Profit (loss) before taxation	1,007	*(d)*	(15,912)	(14,905)
Adjustments for:				
Equity-settled share based payments	3,187	*(e)*	(2,202)	985
Loss on disposal of plant and equipment	3,242			3,242
Depreciation of property, plant and equipment	56,175	*(e)*	(15,352)	40,823
Charge of prepaid lease premium for land	2,183	*(e)*	(1,760)	423
Change in fair value of derivative financial instruments	269	*(e)*	19,017	19,286
Change in fair value of conversion option of convertible notes	(5,325)			(5,325)
Write down of inventories	3,798	*(e)*	(423)	3,375
Allowance for doubtful debts	6,065	*(e)*	(6,968)	(903)
Impairment loss arising from adjustment to fair value less cost to sell	28,000	*(e)*	(28,000)	–
Share of results of associates	(148)	*(c)*	19,260	19,112
Share of result of a jointly controlled entity	369	*(e)*	(369)	–
Loss on deemed disposal of a subsidiary	1,067	*(a)*	11,458	12,525
Discount on acquisition of additional interest in subsidiaries	(4,581)		–	(4,581)
Interest income	(24,863)	*(e)*	4,698	(20,165)
Finance costs	66,874	*(e)*	(46,616)	20,258
Operating cash flows before movements in working capital	137,319			74,150
Increase in inventories	(150,589)	*(e)*	149,865	(724)
Decrease in debtors, other loans and receivables, deposits and prepayments	40,560	*(e)*	(35,222)	5,338
Increase in bills receivable	(28,016)	*(e)*	16,481	(11,535)
Decrease in creditors, other advances and accrued charges	(27,566)	*(e)*	40,966	13,400
Increase in bills payable	78,021	*(e)*	(81,626)	(3,605)
Decrease in derivative financial instruments	12,249	*(e)*	(23,313)	(11,064)
Cash generated from operations	61,978			65,960
Hong Kong Profits Tax paid	(3,701)	*(e)*	1,362	(2,339)
Taxation in other jurisdictions paid	(4,430)	*(e)*	1,378	(3,052)
Net cash from operating activities	53,847			60,569

	Solartech For the year ended 30/6/2007 *HK$'000* (audited)	*Notes*	Pro forma adjustments *HK$'000* (unaudited)	Pro forma income statement of the Remaining Group *HK$'000* (unaudited)
Investing activities				
Interest received	24,863	*(e)*	(4,698)	20,165
Purchase of property, plant and equipment	(101,459)	*(e)*	18,953	(82,506)
Additions of prepaid lease premium for land	(959)		–	(959)
Prepayment for property, plant and equipment	(22,648)		–	(22,648)
Proceeds from disposal of property, plant and equipment	3,277	*(e)*	(3,267)	10
Loan advance to a third party	(15,338)	*(e)*	15,338	–
Acquisition of subsidiaries	(61,629)		–	(61,629)
Acquisition of additional interests in subsidiaries	(5,958)		–	(5,958)
Net cash disposed on deemed disposal of a listed subsidiary		*(f)*	(120,166)	(120,166)
Increase in pledged deposits	(34,858)	*(e)*	10,791	(24,067)
Net cash used in investing activities	(214,709)			(297,758)
Financing activities				
Interest paid on bank borrowings	(56,450)	*(e)*	43,061	(13,389)
Interest paid on finance leases	(1,035)	*(e)*	25	(1,010)
Proceeds from issue of shares	1,200			1,200
Proceeds from issue of shares of a listed subsidiary	1,649	*(e)*	(1,649)	–
Repurchase of shares	(921)			(921)
Repayment of obligations under finance leases	(2,617)	*(e)*	427	(2,190)
New bank loans raised	610,966	*(e)*	(241,665)	369,301
Repayment of bank loans	(600,467)	*(e)*	269,100	(331,367)
New trust receipt loans raised	1,672,346	*(e)*	(1,670,977)	1,369
Repayment of trust receipt loans	(1,498,994)	*(e)*	1,496,351	(2,643)
Additions of other loans	1,937	*(e)*	(1,937)	–
Dividends paid	(29,249)	*(e)*	23,467	(5,782)
Dividends paid to minority shareholders	(9,392)			(9,392)
Net cash from financing activities	88,973			5,176
Net decrease in cash and cash equivalents	(71,889)			(232,013)
Cash and cash equivalents at beginning of the year	358,228			358,228
Effect of foreign exchange rate changes	4,456	*(e)*	(1,736)	2,720
Cash and cash equivalents at end of the year	290,795			128,935
Represented by:				
Bank balances and cash	286,070			128,935
Bank balances and cash attributable to assets classified as held for sale	4,725			–
	290,795			128,935

Notes:

(a) Pursuant to sale and purchase agreement dated 7 October 2007 entered into between Hua Yi Copper Holdings Limited ("Hua Yi Copper"), the listed subsidiary of Solartech International Holdings Limited ("Solartech"), and Belleview Global Limited (the "Vendor"), Hua Yi Copper has agreed to acquire the entire equity interest in Yeading Enterprises Limited ("Yeading") from the Vendor at a total consideration of HK$236,122,000 by way of (i) cash consideration of RMB55,000,000 (equivalent to HK$56,122,000) (ii) share consideration of HK$145,000,000 with 100,000,000 ordinary shares of Hua Yi Copper at a price of HK$1.45 per share, which was the share price at 30 June 2007. The fair value of the shares will be recalculated at the date of completion of the Acquisition and Disposal Transactions (iii) 50,000,000 share options with fair value of HK$35,000,000 on 7 October 2007 by reference to a valuation report prepared by an independent valuer. The fair value of the share options will be recalculated at the date of completion of the Acquisition and Disposal Transactions.

Solartech's interest in Hua Yi as at 30 June 2007 was 59.74%. Assuming that the date of completion of the Acquisition and Disposal Transactions was on 30 June 2007, Solartech's interest in Hua Yi as at 30 June 2007 would be reduced to 52.01% and the change of shareholding of Solartech in Hua Yi Copper as a result of the Acquisition and Disposal Transactions is shown below:

	On 1 July 2006	On 1 July 2006, as adjusted for the Acquisition and Disposal Transactions	On 30 June 2007	On 30 June 2007, as adjusted for the Acquisition and Disposal Transactions
Number of shares of Hua Yi Copper held by Solartech	400,599,875	400,599,875	402,131,875	402,131,875
Total outstanding number of shares of Hua Yi Copper	667,138,500	767,138,500	673,134,500	773,134,500
Percentage of shareholding of Solartech in Hua Yi Copper	60.05%	52.22%	59.74%	52.01%
Percentage of minority interest in Hua Yi Copper	39.95%	47.78%	40.26%	47.99%

On 25 July 2007, Hua Yi Copper has placed 30,000,000 new shares to public shareholders (the "Placement") and the Solartech's interest in Hua Yi Copper has been reduced from 59.74% to 57.19%. On 29 August 2007, 80,000,000 existing shares of Hua Yi Copper held by Solartech have been sold to independent third parties and then Hua Yi Copper issued 80,000,000 shares to Solartech (the "Disposal and Subscription"). Solartech's interest in Hua Yi Copper has been further reduced from 57.19% to 51.35%. After taking into account the Acquisition and Disposal Transactions as mentioned in above, the shareholding of Solartech in Hua Yi Copper would be further reduced from 51.35% to 45.53%. Accordingly, Hua Yi Copper ceases to be the subsidiary of Solartech and become the associate of Solartech. The financial impact of the deemed disposal arisen from the Placement and Disposal and Subscription has not been reflected in the pro forma adjustments as they occurred subsequent to 30 June 2007, the date as if the Acquisition and Disposal Transactions had been completed which are not directly attributable to the Acquisition and Disposal Transactions.

Immediately before the acquisition of Yeading, the net assets of Hua Yi Copper attributable to Solartech were calculated as follows:

	Assuming the date of completion of Acquisition and Disposal Transactions on 1 July 2006 *HK$'000*	**Assuming the date of completion of Acquisition and Disposal Transactions on 30 June 2007** *HK$'000*
Net assets of Hua Yi Copper at the date of completion of Acquisition and Disposal Transactions	483,361	463,407
Less: share option reserve of Hua Yi Copper	(3,565)	(4,128)
	479,796	459,279
Minority interest in Hua Yi Copper	(191,679)	(184,906)
60.05%/59.74% net assets of Hua Yi Copper attributable to Solartech	288,117	274,373

Immediately after the Acquisition and Disposal Transactions, the net assets of Hua Yi Copper attributable to Solartech were calculated as follows:

	Assuming the date of completion of Acquisition and Disposal Transactions on 1 July 2006	Assuming the date of completion of Acquisition and Disposal Transactions on 30 June 2007
	HK$'000	*HK$'000*
Net assets of Hua Yi Copper at the date of completion of Acquisition and Disposal Transactions	483,361	463,407
Less: share option reserve of Hua Yi Copper	(3,565)	(4,128)
Add: issue of 100,000,000 ordinary shares of Hua Yi Copper as mentioned above at share price of HK$0.5 per share on 1 July 2006 and HK$1.45 per share on 30 June 2007	50,000	145,000
	529,796	604,279
52.22%/52.01% net assets of Hua Yi Copper, as adjusted for the Acquisition and Disposal Transactions, attributable to Solartech	276,659	314,286
60.05%/59.74% net assets of Hua Yi Copper attributable to Solartech immediately before the Acquisition and Disposal Transactions	288,117	274,373
52.22%/52.01% net assets of Hua Yi Copper attributable to Solartech immediately after the Acquisition and Disposal Transactions	276,659	314,286
(Loss) gain on deemed disposal of Hua Yi Copper	(11,458)	39,913

(b) Immediately after the Acquisition on 30 June 2007 and considering the change of shareholding of Solartech in Hua Yi Copper after the Placement and Disposal and Subscription subsequent to 30 June 2007, Hua Yi Copper will cease to be the subsidiary of Solartech and become an associate of Solartech, the assets and liabilities of Hua Yi Copper would be deconsolidated and the Group's interest in Hua Yi Copper would be accounted for using equity method. The pro forma adjustments of note (b) were extracted from note 42 of 2007 Annual Report of Solartech.

(c) Assuming the Acquisition and Disposal Transactions had been completed on 1 July 2006 and considering the change of shareholding of Solartech in Hua Yi Copper after the Placement and Disposal and Subscription subsequent to 30 June 2007, Hua Yi Copper will cease to be the subsidiary of Solartech and become an associate of Solartech, the income and expenses of Hua Yi Copper would be deconsolidated and the Group's share of the result of Hua Yi Copper would be accounted for using equity method. The elimination of net loss of HK$14,154,000 of Hua Yi Copper attributable to equity holders of the parent and minority shareholders for the year ended

30 June 2007 were HK$8,454,000 and HK$5,700,000 respectively. The pro forma adjustments of note (c) were extracted from 2007 Annual Report of Hua Yi Copper. Share of result of Hua Yi Copper, as adjusted for the Acquisition and Disposal Transactions, was calculated as follows:

	HK$'000
Loss of Hua Hi Copper for the year ended 30 June 2007	14,154
Loss of Yeading for the year ended 31 December 2006	4,433
Amortisation for the cost of acquisition of mining and exploration right of HK$146,366,000 (see below) for the year ended 30 June 2007 on a straight-line basis over its estimated useful lives of 8 years, by reference to a valuation report provided by an independent valuer	18,296
	36,883
52.22% share of result of Hua Yi Copper, as adjusted for the Acquisition and Disposal Transactions for the year ended 30 June 2007	19,260

The aggregate of the total consideration paid by Hua Yi Copper and the net liabilities of Yeading acquired at the date of completion of the Acquisition and Disposal Transactions is included in the pro forma combined balance sheet as mining and exploration rights and the calculation is shown as below and no goodwill or discount on acquisition is arisen from such transaction.

	Assuming the date of completion of Acquisition and Disposal Transactions on 1 July 2006 *HK$'000*
Cash consideration	56,122
Issue of 100,000,000 ordinary shares at share price of HK$0.5 per share on 1 July 2006	50,000
Issue of 50,000,000 share options, assuming the fair value of share options on 1 July 2006 and 30 June 2007 would not be materially different	35,000
Total consideration paid by Hua Yi Copper	141,122
Less: net liabilities of Yeading at 30 September 2006 attributable to Hua Yi Copper (extracted from the accountants' report of Yeading)	(5,244)
	146,366

(d) The amount represented the elimination of the loss before taxation of Hua Yi of HK$14,806,000 and the equity accounting of the share of results of Hua Yi Copper of HK$19,260,000 for the year ended 30 June 2007 and loss on deemed disposal of Hua Yi Copper of HK$11,458,000, assuming the Acquisition and Disposal Transactions had been completed on 1 July 2006.

(e) Assuming the Acquisition and Disposal Transactions had been completed on 1 July 2006, the adjustments represent the deconsolidation of cash flows of Hua Yi Copper for the year ended 30 June 2007. The pro forma adjustments of note (e) were extracted from 2007 Annual Report of Hua Yi Copper.

(f) The amount represented the net cash disposed on deemed disposal of Hua Yi Copper, the amount of bank balances and cash of Hua Yi Copper at 1 July 2006, assuming the Acquisition and Disposal Transactions completed on 1 July 2006.

(g) The accountants' reports on the Group and Yeading have been translated to Hong Kong dollars using the exchange rate of RMB0.98: HK$1. Translations in Renminbi are also translated using the same exchange rate.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF SOLARTECH INTERNATIONAL HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Solartech International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the conditional acquisition of entire equity interest in Yeading Enterprises Limited and the partial disposal of equity interest in Hua Yi Copper Holdings Limited might have affected the financial information presented, for inclusion in Appendix III of the circular dated 31 December 2007 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages IIIA-1 to IIIA-10 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at 30 June 2007 or any future date; or

- the results and cash flows of the Group for the year ended 30 June 2007 or any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 December 2007

The following management and discussion of the Remaining Group refers to the unaudited pro forma financial information on the Remaining Group as set out in Appendix IIIA to this circular for the purposes of illustrating the effect of the Acquisition and Disposal Transactions (as defined in Appendix IIIA) as if it took place on 30 June 2007 for the unaudited pro forma consolidated balance sheet, and on 1 July 2007 for unaudited pro forma consolidated income statement and cash flow statement respectively.

Yeading will become a subsidiary of Hua Yi Copper upon completion of the Acquisition and Disposal Transactions and therefore is excluded in the Remaining Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Remaining Group generally financed its operations with internally generated cash flows. As at 30 June 2007, the Remaining Group had bank and cash balances (including pledged bank deposits) of approximately HK$153,002,000 and net current assets value being over approximately HK$173,379,000. As at 30 June 2007, total bank borrowings amounted to HK$124,123,000 and a majority of such borrowings was raised to finance of the Remaining Group's business operation.

GEARING RATIO

The Remaining Group's gearing ratio as at 30 June 2007 was 0.13, being a ratio of total bank borrowings of approximately HK$124,123,000 to shareholders' funds of approximately HK$978,339,000.

CAPITAL STRUCTURE

There has been no change in the capital structure of Solartech during the period. The capital of Solartech comprises only ordinary shares. As at 30 June 2007, 489,154,000 shares were in issue (31 December 2006: 486,654,362 shares).

SIGNIFICANT INVESTMENT

On 30 May 2006, Solartech entered into the Quota Purchase Agreement with Whirlpool S.A. and Brasmotor, for the acquisition (the "Acquisition") of their 100% interest in Brascabos Componentes Eletricos e Eletronicos Ltda. ("Brascabos") for an aggregate consideration of US$10,000,000 (approximately HK$78,000,000) and guaranteeing the repayment of the shareholders' loan in an amount of not more than US$4,000,000 (approximately HK$31,200,000). Brascabos is one of the leading manufacturer of power cords and wire harness for white goods (large electrical home appliances) and automotive parts in Brazil. The Acquisition constituted a major transaction for the Solartech under the Listing Rules and was subject to the approval of shareholders of the Solartech. At the special general meeting held on 24 July 2006, shareholders approved the Acquisition. The Acquisition had been completed and its completion was announced by the Solartech in an announcement dated 2 August 2006. The details of the Acquisition were set out in the circular dated 26 June 2006.

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 30 June 2007, Solartech has acquired 1,532,000 shares of Hua Yi Copper from the market at a total consideration of HK$975,000 and the Solartech Group's interest in Hua Yi Copper has been increased from 60.05% to 60.28%, resulting in a discount on acquisition of HK$192,000.

For the year ended 30 June 2007, the Solartech Group has paid a consideration of HK$4,983,000 to acquire 35% additional equity interest in a subsidiary, which then become the wholly-owned indirect subsidiary of Solartech. The excess of the carrying amounts of the net assets of the subsidiary attributable to the interests over the cost of acquisition amounting to HK$4,389,000 is recognized as discount on acquisition.

Pursuant to the placing and subscription agreement dated 13 August 2007 between Chau's Family Trust and Mr. Chau Lai Him ("Chau's Family") and Kingston Securities Limited, Chau's Family placed 97,000,000 ordinary shares of HK$0.01 each in the capital of the Company to independent investors at a price of HK$0.68 per share and subscribed for 97,000,000 new ordinary shares of HK$0.01 each in the capital of the Solartech at a price of HK$0.68 per share (the "Top-Up placing"). The net proceeds from the Top-Up placing was approximately HK$63.8 million. Approximately HK$25 million of the net proceeds was intended to be used for general working capital of the Remaining Group and the remaining approximately HK$38.8 million was intended to be used for implementation of business expansion in the Remaining Group's business operation in Brazil. The Top-Up Placing was completed on 22 August 2007.

FOREIGN EXCHANGE EXPOSURE

Most of the Remaining Group's assets and liabilities are denominated in Hong Kong dollars, United States dollars, Renminbi and Brazil Real, which are the functional currencies of respective group companies. The Remaining Group does not expect any significant exposure to foreign currency risks.

SEGMENTAL INFORMATION

The Remaining Group is currently organised into two principal operating divisions - manufacture and trading of cables and wires, connectors and terminals. At as 30 June 2007, the total turnover of external sales of Cables and wires, Connectors and Terminals and others were approximately HK$739,232,000, HK$641,032,000 and HK$34,823,000 respectively.

The Remaining Group's operations are located in Hong Kong, the PRC, Americas, Europe and other Asian regions. By geographical market, turnover from Hong Kong representing 6.9%, the PRC 32.6%, Americas 43.6%, Europe 3.0% and other Asian regions 13.9% of the total turnover of approximately HK$1,415,087,000.

CHARGE ON GROUP'S ASSETS

As at 30 June 2007, the Remaining Group's property, plant and equipment and bank deposits with an aggregate value of HK$154,287,000 were pledged to secure credit facilities granted to the Remaining Group.

CONTINGENT LIABILITY

As at 30 June 2007, the Remaining Group did not have any significant contingent liabilities.

WORKING CAPITAL

With regard to the capital investment to bring the Target Mines to commercial production, Hua Yi Copper intends to finance the same by Hua Yi Copper's internal resources, bank borrowings, and if considered appropriate, proceeds from any future fund raising activity of Hua Yi Copper.

The estimated funds required of the Hua Yi Copper Group for the two years following the issue of this circular is about HK$5,000,000 in Zhongguan Town Mine. In order to bring the Mineral Resources of the Target Mines into full capacity production. The estimated cash flow for at least the following 24 months from the date of this circular in respect of the Gu Shan Mine is HK$100,000,000. As a full feasibility study including environmental study will have to be completed for submission to apply for the change of the exploration permit to a mining permit for the Gu Shan Mine. Coupled with the new processing plant set up, it will typically take 12 months to 18 months to establish the mining operation. The Gu Shan Mine is not expected to generate any revenue for at least the following 24 months from the date of this circular.

Other than the above, the directors of Hua Yi Copper are of the opinion that, taking into account the internal resources available to the Hua Yi Copper Group, the Hua Yi Copper Group will have sufficient working capital to continue to operate in the following 24 months from the date of this circular in the absence of unforeseen circumstances.

MATERIAL ADVERSE CHANGE

The directors of Solartech are not aware as at the Latest Practicable Date of any material adverse change in the financial or trading position of the Remaining Group since 30 June 2007, being the date to which the latest published audited accounts of the Solartech Group were made up.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2007, the Remaining Group had about 5,626 employees in Hong Kong, the PRC and overseas. Total staff costs incurred during the year ended 30 June 2007, including directors' remuneration, was approximately HK$109,586,000 (2006: HK$80,201,000). The Remaining Group generally remunerates its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in PRC.

FUTURE PROSPECTS OF THE REMAINING GROUP

The Remaining Group will continue to strengthen and grow its cable and wire business at a steady pace and to gain market share as the sector continues to consolidate. The Remaining Group's connectors and terminals/wire harnesses business is expected to turn into a major growth driver of the Remaining Group's is in the future.

LIQUIDITY AND FINANCIAL RESOURCES

The Target Group had bank and cash balances of RMB2,349,000 as at 31 December 2004, RMB601,000 as at 31 December 2005, RMB1,925,000 as at 31 December 2006 and RMB3,435,000 as at 30 September 2007. The net assets value of the Target Group was RMB2,053,000 in 2004, and recorded net liabilities of RMB3,375,000 in 2005 and RMB6,719,000 in 2006 and RMB5,768,000 as at 30 September 2007. The director of the Target Company considers that liquidity risk is limited after considering the cash flow of the Target Group in the foreseeable future.

GEARING RATIO

The Target Group did not have any bank borrowings as at 31 December 2004 and recorded net liabilities of RMB3,375,000 as at 31 December 2005, RMB6,719,000 as at 31 December 2006 and RMB5,768,000 as at 30 September 2007. In this regard, its gearing ratio was nil during the years.

CAPITAL STRUCTURE

There was no change of capital structure of the Target Company during the period. The authorized and issued share capital of the Target Company as at 30 September 2007 was USD50,000 divided into 50,000 shares of US$1 per share.

SIGNIFICANT INVESTMENT

Upon the completion of group restructuring on 25 October 2007, Meyton, Qingdao Hua Xin, Qingdao Hong Rui, Long Hua Hua Hui and Long Hua Long Xin became the subsidiaries of the Target Company.

MATERIAL ACQUISITIONS AND DISPOSALS/FUTURE PLANS FOR MATERIAL INVESTMENTS

There was no material acquisition or disposal of subsidiaries or associates during the six months ended 30 September 2007. The Target Group has no plans for material investments or material acquisitions of capital assets.

FOREIGN EXCHANGE EXPOSURE

Most of the Target Group's assets and liabilities are denominated in Renminbi, which is the functional currency of respective group companies. The Target Group does not expect any significant exposure to foreign currency risks.

SEGMENTAL INFORMATION

The Target Group's sole business is the manufacture and sale of iron-ore concentrated powder. The Target Group's results, assets and liabilities and capital expenditure are principally attributable to a single geographical region, which is the PRC.

CHARGE ON GROUP'S ASSETS

As at 30 September 2007, the Target Group did not have any charges on its assets.

CONTINGENT LIABILITY

As at 30 September 2007, the Target Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2007, the number of the employees of the Target Group was 250 in 2007. The staff salaries and allowances was RMB1,241,000 for the period from 3 March 2004 to 31 December 2004, RMB3,141,000 for the year ended 31 December 2005, RMB1,917,000 for the year ended 31 December 2006 and RMB1,773,000 for the period from 1 January 2007 to 30 September 2007.

SRK Consulting
Engineers and Scientists

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31 December 2007

Hua Yi Copper Holdings Limited
Unit 7, 2/F Kingsford Ind Ctr
13 Wang Hoi Rd., Kowloon Bay, Kln, Hong Kong

Solartech International Holdings Limited
Unit 7, 2/F Kingsford Ind Ctr
13 Wang Hoi Rd., Kowloon Bay, Kln, Hong Kong

Dear Sirs,

Independent Technical Adviser Report

Hua Yi Copper Holdings Limited ("Hua Yi" or the "Company") is a company listed on The Stock Exchange of Hong Kong Limited and is assessing the Longxin project including the Beipuzi Iron Mine (in Zhong Guan Town of Longhua County) and Gushan Exploration tenement (in Zhangjiying Village of Longhua County). The following report summarises the findings of an independent technical and economic assessment of the project proposed to be acquired by Hua Yi ("Acquisition"). The report has been prepared by SRK Consulting China Ltd, located at B1408 Cofco Plaza, No.8 Jianguomennei Dajie, Dongcheng District, Beijing China 100005.

The purpose of this report is to provide an independent technical assessment of the Longxin project. The report may be included in the circulars of Hua Yi and Solartech International Holdings Limited ("Solartech") to their respective shareholders in relation to the Acquisition pursuant to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited. This report has been prepared in accordance with the Listing Rules, in particular Chapter 18.

The report dated 31 December 2007 is the only report provided by SRK in relation to the Longxin project.

SRK Consulting China Ltd
Registration No. 023801

Group Offices:
Africa
Asia
Australia
North America
South America
United Kingdom

SRK's Independence

Neither SRK nor any of the authors of this Report have any material present or contingent interest in the outcome of this report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK. SRK has no shareholding in Hua Yi or the company which holds the mining and exploration licenses. SRK has no prior association with Hua Yi in regard to the Longxin project that is the subject of this Report. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence. SRK's fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the report.

Scope of Work

The findings in this report are based on information gathered prior to and during site inspections made to the project area by SRK personnel and on information subsequently supplied to SRK through E-mail or Facsimile messages or various telephone conversations. During site inspections, SRK personnel held detailed and open discussions with site personnel at the project site.

SRK conducted investigations into and has reported upon various technical areas including geology and resource estimation, resource and reserves estimation, processing, environmental and social aspects, statutory requirements including tenement boundaries, company management methods and structure, operating costs and capital investments.

Resources and Reserves

SRK has carried out a high-level review of the resources and reserves as provided by the Longhua Longxin Mining Co Ltd of Chengde Jianfeng Mining Group ("Longxin"). The resources and reserves estimates are one of the input parameters used for the preparation of this report. The resources and reserves estimates were reported in accordance with the requirements of the Chinese system. SRK is satisfied that the resources and reserves have been calculated in adherence to requirements as prescribed by the governing state committee for resources at particular stages of project development. These conventional methods have generally been applied conservatively and to the required standard of diligence.

It is SRK's opinion that the current individual estimates are reliable and represent a reasonable global estimate of the relevant Mineral Resources although they are not in full compliance with the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") standard. The JORC Code requires vigorous recording of mineral deposit sampling, assaying, check calculations and resource estimates. This type of information is usually recorded in a digital form in a computerised database, which allows for rapid checks to be made by a third party. Therefore an independent report on mineral resources under the standards of the JORC Code requires a review of all aspects leading to the resources and reserves estimate including a review of the sample collection methods and quality control of those sampling procedures, assaying results and verification by check assays and blank samples and resource estimates by several methods to ensure applicability of the adopted estimation method. If any of these steps cannot be investigated thoroughly, the technical adviser is required under the JORC Code to state the reason why the resources and reserves estimate does not meet the JORC Code standard.

Many PRC mining companies, including Longxin, do not have a tradition of keeping geological sampling quality control records to the same standard used in western countries and therefore do not have duplicate samples to allow checking of assay results. The traditional Chinese recording system is based on paper reports, not digital records or databases and often uses geological sections drawn on paper.

The procedures adopted by SRK were to review the resources and reserves estimates provided by Longxin and to review the estimation methods used by Chengde Sanyuan Geology and Mineral Resources Co Ltd and Qinhuangdao Donghongxiang Exploration Co Ltd.

Reporting Standard

The following report has been prepared to the standard of, and is considered by SRK to be, a Technical Assessment Report under the guidelines of the Valmin Code. The Valmin Code is the code adopted by the Australasian Institute of Mining and Metallurgy and the standard is binding upon all AusIMM members. The Valmin code incorporates the JORC Code for the reporting of Mineral Resources and Ore Reserves. It is SRK's opinion that the report is prepared in accordance with international reporting standards for mineral resources and ore reserves.

In comparing Longxin's practice against the international best practice, SRK has made comparisons in the report which are qualitative in nature. In the case of quantitative comparison, sources of data are provided. This report is not a Valuation Report and does not express an opinion as to the value of mineral assets. Aspects reviewed in this report do include product prices, socio-political issues and environmental considerations, however SRK does not express an opinion regarding the specific value of the assets and tenements involved.

Consents

SRK consents to this Report being included, in full, in the circulars of Hua Yi and Solartech to their respective shareholders in relation to the Acquisition, in the form and context in which the technical assessment is provided, and not for any other purpose. SRK provides this consent on the basis that the technical assessments expressed in the individual sections of this Report are considered with, and not independently of, the information set out in the complete Report and the Cover Letter.

Yours Sincerely,
Dr Yonglian Sun, *PhD MAusIMM MIEAust CPEng*
Principal Consultant
Manager Director
SRK Consulting China Ltd

EXECUTIVE SUMMARY

Hua Yi Copper Holdings Limited ("Hua Yi") commissioned SRK Consulting China Ltd ("SRK") to review the Beipuzi iron mine and Gushan Exploration Property in Chengde, Hebei Province, China. SRK was required to provide an Independent Expert Report ("Report") to enable potential equity investors and possible future shareholders to review the Company's operations.

Summary of Principal Objectives

The purpose of this Report is to provide potential equity investors and potential shareholders of Hua Yi and the Stock Exchange of Hong Kong Limited ("the Stock Exchange") with an Independent Expert Report. Hua Yi will include this Report with documents it plans to submit to the Stock Exchange and the circulars of Hua Yi and Solartech International Holdings Limited ("Solartech") to their respective shareholders in relation to a proposed acquisition of Longhua Longxin Mining Company Limited of Chengde Jianfeng Mining Group ("Longxin" or "the company"), which owns the Beipuzi iron mine and will own the Gushan Exploration Property. The Gushan exploration property is currently owned by an individual person named Mr Zhao Guofu. SRK was informed that the ownership change for the Gushan exploration property was in progress and would be complete soon.

Outline of Work Program

The work program involved three phases:

- Phase 1 is a review of information provided, a site visit (first site visit from 19 to 21 September 2007) to Beipuzi iron mine and Gushan exploration property in Chengde, Hebei province, discussions with company staff and collecting and reviewing of documents provided to SRK;
- Phase 2 is an analysis of the provided data and writing a draft report, reviewing additional data; and
- Phase 3 is to conduct 2nd site visit (from 5 to 6 December 2007), reviewing additional data; and finalising this Report.

Results

Overall

The Longxin project includes one operating mine (the Beipuzi iron mine) and one exploration property (the Gushan property).

The mine is now called the Beipuzi iron mine located in Zhong Guan Town of Longhua County and is owned by Longhua Longxin Mining Co. Ltd., Chengde Jianfeng Mining Group ("Longxin"). Since May 2004 the mine has been licensed to Longxin. This licence was obtained from a former small collective ownership. The current mining licence expires in August 2008.

The exploration project is called the "Gushan Iron Mine General Exploration in Gushan, Zhangjiying Village of Longhua County, Heibei province" and was licensed to Mr Zhao Guofu. The licence expired on 19 October 2007 and the new licence was issued with a valid period from 1 November 2007 to 19 October 2008. It is licenced to a natural person called Mr Zhao Guofu. The transferring of the title from Mr Zhao to Longxin was in progress. The title transfer was approved by the Land and Resources Bureau of Longhia County in mid November 2007 and is waiting to be approved by the Land and Resources Bureau of Chengde city.

The Longxin project in Chengde, Hebei, China is a well-managed operation. The proposed expansion project for a new processing plant has been planned in detail. Operating standards at the site are generally comparable to good Chinese industry practice, although there is some scope for improvement and optimisation.

The Longxin project contains low grade ore where the average total iron grade is 21.46% and the average magnetite content is about 11.29%; that is about 53% of the average total iron content.

The Longxin processing plant is also well managed. It produces good iron concentrate with a grade of 64 to 66% Fe. The technology used is standard in the industry. The expansion project will continue to use the same technology and should achieve similar results.

The strengths of the Longxin include: high self-sufficiency from established vertical integration based on exploration for mineral deposits; and developing and mining minerals to processing on-site to allow economical operation where good quality concentrates are produced.

The Longxin site including the mine, concentrator, and support facilities has achieved reasonable accident statistics. SRK considers that Longxin is committed to safety training and providing safety equipment and monitoring. Statistics compare very well with other mining companies in China.

Workforce numbers at Longxin on 6 December 2007 were 256, where 130 for mining including 40 contractors and 126 for processing. Staff turnover is low, being less than 5% of the workforce. Several of the company's technical management staff have worked at the mine for a few years and have a thorough knowledge of the mine's geology and mining conditions.

It is recognised that Longxin needs a commitment to start a substantial greening program at the mine with improvements in dust control, wastewater treatment and sewage treatment. These practices may demonstrate that the company is being responsible with regards to environmental protection.

Location and Geology

The Longxin project (Beipuzi iron mine and Gushan exploration property) is in north-eastern Hebei Province, 275 km north of Beijing. The properties are 43 km north of the administration centre in Chengde city. Its geographic coordinates are at latitude 41º14′30″N – 41º15′22″N and longitude 117º57′10″E – 117º57′52″E. The Longxin project is covered by one Exploration Permit (2.42 km^2) and one Mining Permit (4.046 km^2).

The Longxin project is a typical magmatic deposit, a product of late stage magma segregation. Most iron ore bodies are in the hornblende pyroxenite phase as small lenticular and massive mineralisation, and others are carried by the anorthosite phase as dense disseminated mineralisation. All ore bodies at the Longxin project are characterised by west-east trending strata and steeply dipping angles of nearly 90°. The ore minerals are mainly magnetite and ilmenite (locally having hematite) and fewer sulfides (pyrite and pyrrhotite). Gangue minerals include mainly pyroxene and hornblende, with less apatite, sphene, epidote and chlorite.

Resource Estimation

There are four mining areas including seven ore bodies, namely I, II, III, IV, V, VI, and VII in the Beipuzi iron mine; and four ore bodies, called as I, II, III, and IV, in the Gushan iron deposit.

Recent work on the Longxin project explored and defined iron mineral resources. This was accomplished by channel sampling from surface trenches. Chengde Sanyuan Geology & Mineral Resources Co. Ltd. has done resource estimates on the Beipuzi iron deposit, which has a 122b resource of 8.42 million tonnes ("Mt") at average grade of 21.59% total iron ("TFe"), and a 333 resource of 2.44Mt with average TFe grade of 21.01%. For the Gushan iron deposit, Qinghuangdao Donghongxiang Geological Exploration Co. Ltd. has completed resource estimates: a 122b resource of 174.73Mt averaging 20.70% TFe, and 10.81% magnetic iron ("mFe"); a 333 resource of 13.76Mt with average TFe and mFe grades of 23.25% and 9.89%, respectively, as shown in the following table:

Deposit	Resource Classification	Resource Tonnage *(t)*	Average Grade TFe *(%)*	mFe *(%)*
Beipuzi	(122b)	8,420,032	21.59	–
	(333)	2,440,446	21.01	–
	Total	10,860,478	21.46	11.29
Gushan	(122b)	174,726,434	20.70	10.81
	(333)	13,762,944	23.25	9.89
	Total	188,489,378	20.67	10.38

Geotechnical Engineering

The design parameters proposed for the Beipuzi open pits are considered by SRK to be appropriate. However, it is important to note that SRK is of the opinion that geotechnical conditions at the mine are inadequately understood at the time of preparing this report. Further geotechnical work is required to confirm that the pit wall design criteria are consistent with geotechnical conditions, including geological structure. SRK notes that double benching will only be practical if rock conditions are good, and attention has been given to forming final walls with minimum damage. From discussions with mine personnel it is understood that very little geotechnical input has been provided to the project to date. It is also understood that provision has not been made for ongoing geotechnical support. The mine superintendent was of the opinion that further geotechnical work was required, and SRK agrees with this opinion.

Mining

Based on the updated mining registration, 4 open pits (No. 1, No. 2, No. 3 and No. 4) were arranged inside the mine boundary. During SRK's site visit, only Pit No. 1 (two mining faces) and Pit No. 2 (five mining faces) were active in mining. One hydraulic shovel with a capacity of 1.2 m^3 and one front-end-loader were assigned to each mining face. The truck fleet consisted of ten 20-tonne trucks and thirty-five 25-tonne trucks (where 22 owned by Longxin). In general, the operation runs on 12- hour shifts (day-shift) only. Each truck can travel 20 return trips from the mining area to the ore processing plant daily. The surrounding rocks are primarily feldspar or pyroxene diorite and the pit walls appear to be moderately stable. For all pits the thickness of top-soil is generally about 5 m, then there is a weathered belt with a thickness varying from 7–8m. The iron ore is sitting below the weathered belt where the ore grade varies from 20.1% to 21.8% TFe.

The Longxin iron mine is technically-viable with sufficient reserves and resources to provide growth potential. The infrastructure is sound and capable of supporting the proposed expansion project. The company has indicated it is keen and has the vision to expand production.

Processing Issues

Longxin iron mine is mining a vanadium-titanium magnetic iron deposit which has a grade in the range of 20.1% to 21.8% TFe that is generally considered to be ultra low-grade. The process flow includes three stages; preliminary dry-magnetic processing, grinding and classifying, and coarse- grinding magnetic processing.

The plant is designed to process 1.50Mtpa of raw ore and to produce 200,000tpa of iron concentrates with a grade of more than 60% TFe.

This processing plant consists of crushing, grinding, and magnetic separation and two production lines. At present only three of six ball mills in the grinding plant are available, therefore actual raw ore processing capacity is currently 3200t/d, and production of iron concentrate is 185 to 235t/d. The output is lower than forecasted which is possibly due to the reasons that the mine is currently mining the top covering layer with relatively lower grade, and that the other three ball mills have not yet been operating. Once the mining proceeds deep where the grade of ore is anticipated to be increased and the other three ball mills are in full operation, the production of iron concentrate is expected to be increased accordingly.

Longxin is yet to recover titanium due to its low content.

There is enough room to install a third production line in the crushing area, and the broken three ball mills in the grinding-magnetic separation area can be repaired to reach the designed processing capacity. During the 2nd site visit, the repairing of the third production line was nearing completion and was about to commence trial production.

A new processing plant is planned on the hillside where the existing processing plant is located. It will have capacity to produce 500,000tpa iron concentrate. Based on existing infrastructure, in SRK's view the plan may be feasible but should be subject to a detailed review.

Environmental

SRK's environmental technical review identified numerous environmental issues with the current Longxin project. The project needs to follow strictly conditions for operation as stated in government approvals. The operation also needs to improve its compliance with Chinese environmental laws and regulatory requirements for environmental protection, particularly relates to water control, monitoring and management measures at the site as well as erosion control measures as stated in project approval documents.

The Longxin iron mine possesses the necessary Mining License, Land Use Permit and EIA Approvals for operation. The key approval conditions relate to the project being constructed as per location, nature, scale, construction mode and environmental protection measures stipulated in the EIA. All environment control measures, water and soil conserving measurements and preventive safety measures shall be simultaneously designed, implemented and put in operation with the main works. The settling tank shall be cleaned regularly to avoid accidental discharge. The free stockpiling and disposal of waste ore are forbidden, and rehabilitation of the vegetative landscape of the mine area and processing plant shall be properly carried out along with a greening program to build a beautiful working environment.

Conditions of operation stated in the EIA and government approval documents, while comparable to international standards of operation, do not address issues such as waste oils, hydrocarbon storage and waste rock. SRK's review of environmental impact assessments and current operational practices identified that the most significant environmental risks for the Longxin Project are associated with storage and handling of hazardous materials/wastes including fuels and process slags. In addition, the potential for generating contaminated sites and operational closure liabilities through management of waste rock, hydrocarbons and general waste also presents high environmental risks. In particular, Longxin has no structured process in place for contaminated sites assessment and for broader closure planning. It does not monitor discharges or the environmental quality of the receiving waters. The lack of characterisation of process wastes and the potential for acid rock drainage and metal leaching may also be of concern.

Safety

Company safety records indicate that from January 2004 to 30 September 2007, the company recorded one major injury and eight minor injuries for employees. No fatalities were recorded. The statistics compare well with other mining companies in China.

Social

In the Longxin project area, most local residents depend on agriculture as the main source of employment. A social assessment of residents near the project before construction revealed large community support. With little previous industry developed in the area, locals felt the project would be advantageous to the area's development.

Positive effects for surrounding local communities are mainly direct employment of local contractors and use of local suppliers/service providers where practical. No records of public complaints in relation to the activities of Longxin project were sighted as part of this review.

The company has a stable, loyal workforce. Therefore, the risk of loss of corporate knowledge and production loss due to staff turnover is considered to be low.

Operating Cost

The major cost inputs to the project are electricity, salaries and water. The company's average electrical power cost was 0.47 RMB/kWhr. The average monthly salary varies from 800 to 1500 RMB/m for workers reliant on the type of work being performed. For senior management staff, the average monthly salary is around 5000 RMB. The total water cost for the last year was around 100,000 RMB that is equivalent to a unit cost of 0.12 RMB/m^3; the average diesel cost is 4.76 RMB/litre.

Based on discussions with mine staff, it is understood that one tonne of iron concentrate is produced from 7t to 8t of ore. However, the actual data reviewed for the recent production from the processing plant indicated that one tonne of iron concentrate was likely to be produced out of 14 to 15 tonnes of raw ore. The reason is possibly due to the fact that the mine is currently mining its top covering layers with relatively low grade. As mining proceeds deep later, the grade of ore is anticipated to be increased. SRK was informed that the cost to produce one tonne of iron concentrate is 285 RMB.

Capital Costs

The expansion on the 3rd production line started in late October and was expected to be completed by the end of December 2007. The capital cost is expected to be around 4 million RMB.

A new processing plant with a capacity to produce 500,000t of ore concentrate per annum is planned with an estimated cost of 90 million RMB. Of this amount, 5 million RMB is for land purchase and approvals; 20 million RMB for civil engineering for the processing plant; 55 million RMB for the processing plant equipment; and 10 million RMB for working capital. Expansion to build the new processing plant is expected to start on March 2008 and to complete on December 2008.

SRK is of the opinion that capital expenditure is likely to achieve the company's aims and result in the forecast production for the mine and concentrator at Beipuzi mine.

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DISCLAIMER

The opinions expressed in this report have been based on the information supplied to SRK Consulting China Ltd ("SRK") by Hua Yi Copper Holdings Limited ("Hua Yi"). The opinions in this report are provided in response to a specific request from Hua Yi. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them.

Opinions presented in this report apply to the site's conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this report, about which SRK have had no prior knowledge nor had the opportunity to evaluate.

1 INTRODUCTION AND SCOPE OF REPORT

Hua Yi Copper Holdings Limited ("Hua Yi") plans to acquire Longhua Longxin Mining Company Limited ("Longxin" or "the company") which owns the Beipuzi Iron mine and will own the Gushan Exploration Property. The Gushan exploration property was owned by an individual person named Mr Zhao Guofu. SRK was informed that the ownership change for the Gushan exploration property was in progress and would be complete soon. Both properties are located in Chengde, Heibei Province, China.

Hua Yi commissioned SRK Consulting ("SRK") to review and report on the Longxin project (including Beipuzi iorn mine and Gushan exploration property). SRK was required to provide an Independent Expert Report (the "Report").

2 PROGRAM OBJECTIVES AND WORK PROGRAM

2.1 Program Objectives

The program objectives were to review the data available, participate in a site visit and provide Hua Yi with both verbal feedback and a written report.

2.2 Purpose of the Report

The purpose of the Report was to provide potential equity investors, potential shareholders and the Stock Exchange of Hong Kong Limited ("the Stock Exchange") with an Independent Expert Report which:

1. provides potential investors with an unbiased report on risks and opportunities associated with the project, and

2. is suitable to include with documents that Hua Yi plans to submit to the Stock Exchange in relation to a proposed acquisition of Longxin.

2.3 Reporting Standard

This report has been prepared to the standard of and is considered by SRK to be, a Technical Assessment Report under Valmin Code guidelines. The Valmin Code incorporates the JORC Code for reporting of Mineral Resources and Ore Reserves and is binding upon all Australasian Institute of Mining and Metallurgy (AusIMM) members.

This report is not a Valuation Report and does not express an opinion as to the value of mineral assets. Aspects reviewed in this report do include product prices, socio-political issues and environmental considerations; however SRK does not express an opinion regarding the specific value of assets and tenements involved.

2.4 Work Program

The work program consisted of a review of data provided by the company; travel to the mine site (19–21 September 2007) in Chengde, Hebei Province, China; inspection of the mine and exploration property, the ore processing plant; and a review of documents provided. After discussions with company staff, SRK analysed data and prepared this report, which was provided to the company as a draft for review of factual content. SRK was requested to conduct the 2nd site visit (5–6 December 2007) to review the updated information both in mining and processing. SRK provided the client with the report revision for comments and will finalize the report after comments have been considered and discussed.

2.5 Project Team

The SRK project team, title and responsibility within this report are shown in Table 2-1:

Table 2-1: SRK Consultants – Title and Responsibility

Consultant	Title and Responsibility
Dr. Yonglian Sun	Principal Consultant, geotechnical, overall and report compilation
Dr. Yiefei Jia	Principal Geologist, geology, exploration and resource estimates
Jinhui Liu	Geologist, assisting geological data collection and compilation
Xiaoping Li	Associate Mining Engineer for mining review
Lanliang Niu	Senior Processing Engineer for processing review
Andrew Lewis	Environmental Engineer for environmental and social aspects
Mike Warren	Principal Consultant, peer review and quality control

2.6 Statement of SRK Independence

Neither SRK nor any of the Report authors have any material present or contingent interest in the outcome of this report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK's fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. Payment of that professional fee is not contingent upon the outcome of the report.

2.7 Warranties

Hua Yi has represented to SRK that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true. SRK has no reason to doubt this representation.

2.8 Consent

SRK consents to this Report being included in full in Hua Yi's application for acquisition of Longxin in the Stock Exchange of Hong Kong Limited, in the form and context in which the technical assessment is provided, and not for any other purpose.

SRK provides this consent on the basis that the technical reviews expressed in the summary and in individual sections of this Report are considered with, and not independently of, information set out in the complete Report and the cover letter.

2.9 SRK Experience

The SRK group employs over 800 professionals internationally and has 33 permanently staffed offices in 13 countries on six continents. In Australia SRK has about 90 staff in five offices in Perth, Sydney, Maitland, Melbourne and Brisbane. SRK China has an office in Beijing. SRK has considerable experience in providing Independent Expert Reports for companies listed on stock exchanges in Australia, Britain, Canada, Hong Kong, South Africa and the US. In China, SRK has provided Independent Expert Reports for companies as shown in Table 2-2.

Table 2-2: Recent Reports by SRK for Chinese Companies

Company	Year	Nature of Transaction
Yanzhou Coal Limited (a company listed on the Stock Exchange of Hong Kong Limited)	2000	Sale of Jining III coal mine by parent company to the listed operating company
Chalco (Aluminium Corporation of China)	2001	Listing on the Stock Exchange of Hong Kong Limited and New York Stock Exchange
Fujian Zijin Gold Mining Company Limited	2004	Listing on the Stock Exchange of Hong Kong Limited
Lingbao Gold Limited	2005	Listing on the Stock Exchange of Hong Kong Limited
Yue Da Holdings Limited (a company listed on the Stock Exchange of Hong Kong Limited)	2006	Proposed acquisition of shareholding in mining projects in Yunnan, PRC
China Coal Energy Company Limited (China Coal)	2006	Listing on the Stock Exchange of Hong Kong Limited
Sino Gold Mining Company	2007	Listing on the Stock Exchange of Hong Kong Limited
Xinjiang Xinxin Mining Industry Company Limited	2007	Listing on the Stock Exchange of Hong Kong Limited

2.10 Forward Looking Statements

Estimates of mineral resources and mine and processing plant production are inherently forward- looking statements. Being projections of future performance, they will differ from the actual performance. The errors in such projections result from inherent uncertainties in interpretation of geologic data, variations in the execution of mining and processing plans, the ability to meet construction and production schedules, availability of necessary equipment and supplies, fluctuating prices and changes in regulations.

Possible sources of error in the forward-looking statements are addressed in more detail in appropriate sections of this report. Also provided in the report are comments on inherent risks in different areas of the mining and processing operations.

3 LOCATION AND BACKGROUND

3.1 Accessibility, Climate, Local Economy, Infrastructure, and Physiography

The Longxin Project, including the Beipuzi iron mine (in Zhong Guan Town of Longhua County) and Gushan iron deposit (in Zhangjiying Village of Longhua County), is located about 275 km north of Beijing, the capital city of China. Their central geographical coordinates of the Longxin project are at approximately longitude 117º57′10″E and latitude 41º14′30″N, and at longitude 117º57′52″E and latitude 41º15′22″N, respectively. The properties are 43km north of the city of Chengde in Hebei Province and are easily accessed from Chengde. The properties administratively belong to Longhua County, Hebei Province (Figure 3-1).

Figure 3-1: General Local Map

The project is currently covered by one Exploration Permit of 2.42 km^2 and one Mining Permit of 4.046 km^2, as summarised in Table 3-1.

Table 3-1: Exploration Licence Details

Deposit	Exploration License No.	Exploration Area *(km²)*	Date Issued	Date for Renewal
Gushan Iron Ore	1300000730332	2.42	01/11/2007	19/10/2008

Beijing is serviced by daily air-flights connecting most cities in China. Access to the properties is by driving north from Beijing on a standard express highway, then on provincial concrete paved and local roads. Chengde has a population of over 460,000, with adequate hotels, restaurants and banks.

Much of the project's area is mountainous and rugged with steep hill slopes commonly exceeding 25º. Elevations range from 876 m to 470 m above sea level. The climate is sub-tropic continental with four distinct seasons. Temperature changes are dependent on elevation. The annual precipitation averages 545 mm, mostly occurring from July to September. Non-frost season is about 150 days. Vegetation is poor and includes sparse bushes, shrubs, ferns and local small trees.

The local economy is based on agriculture and mining. Main crops are corn, millet, and legumes. There are major power grids adjacent to the projects and a power line extends to the property's area. Electricity is provided by the North China Electrified Wire Netting Company. The Yingwu River, a tributary to the Luan River system, flows through the project area all year round.

4 GEOLOGICAL AND MINERAL INVENTORY ASSESSMENT

4.1 Regional Geology

4.1.1 Regional Strata

Regional strata are mainly Neoarchaean metamorphic rocks made up of hornblende/biotite plagiogneisses, monzogranulitite and biotite hornblende granulitite, and magnetite quartzite, and the Palaeoproteric metamorphic rocks composed of biotie/hornblende plagiogneisses and biotite K- feldspar gneisses. Magnetite quartzite and hornblendite are common as xenolith in the above rocks. The Mesoproteroic rocks of mainly Changcheng Formation are made up of quartz sandstone and siltstone, and chemical (carbonate) sediments. Overlying rocks consist of Palaeozoic pyroclastic rock, sandstone, and silkstone; and Quarternary clastic sediments including sandstone and conglomerate distributed in river bed and, piedmont slope, and intermontane depression (see Figure 4-1).

Rocks of the Neoarchaean and the Palaeoproteroic ages have been metamorphose to amphibolite facies and locally to granulite facies.

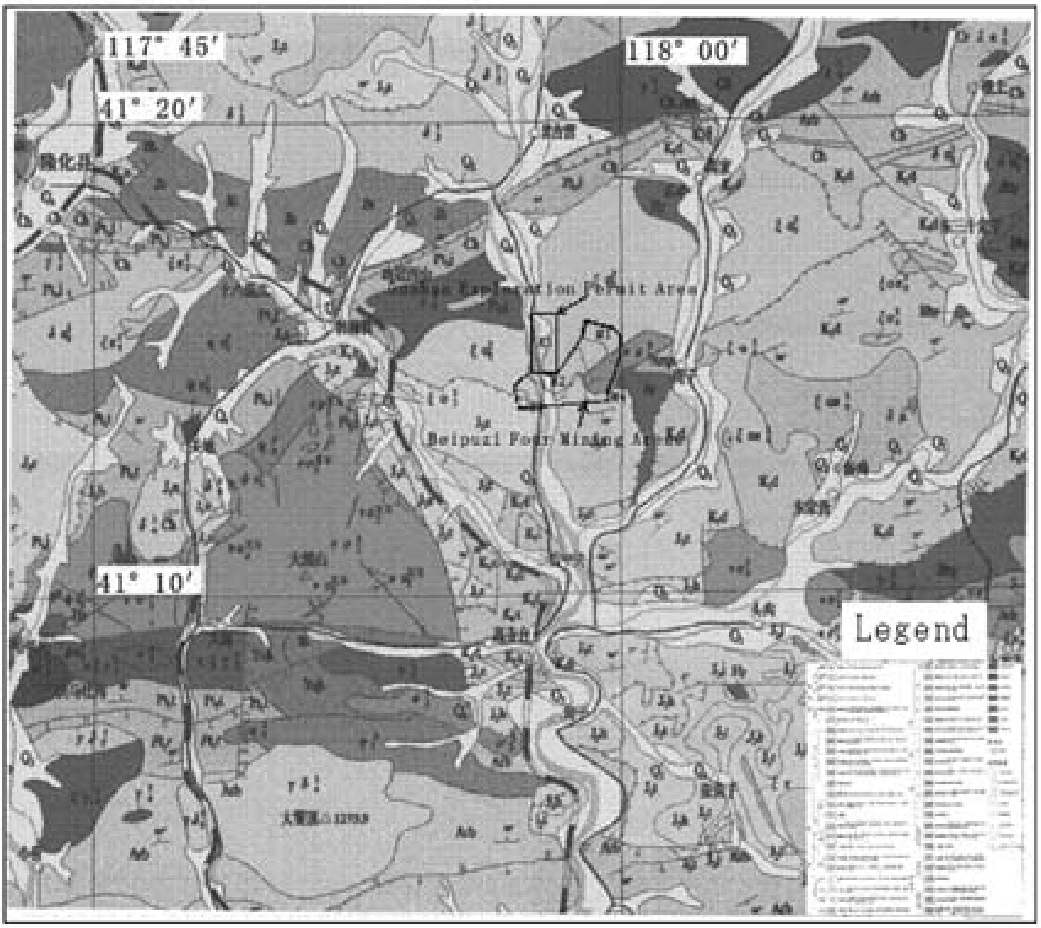

Figure 4-1: Regional Geological Map including two property areas

4.1.2 Intrusive Rock

The intrusive rocks with Archaean to Palaeozoic ages are ubiquitous in this district. Lithologies are from ultro-mafic to felsic shown as batholith, stock, dyke, and apophsis. The Archaean quartz syenite and Proterozoic mafic anorthosite complex are main rock bodies in the region. The contact relation between the Archaean quartz syenite rock body and Proterozoic mafic anorthosite rock body is intrusive.

The mafic anorthosite complex is about 4000 m wide and 8000 m long, with an area of about 30 km^2. It has anorthosite and hornblende proxenite or proxene hornblenite phases, which lithologically show transitional relation. The anorthosite phase is characterised by medium grain-sized texture, and consists of mainly basic plagioclase with less pyroxene, which locally has been zoisitization. The hornblende pyroxenite phase features medium to coarse grain-sized texture, made up of mainly pyroxene and hornblende with other compositions of magnetite, apatite, and sphene. Epidotization is well-developed. Compositionally, the hornblende pyroxenite has relatively higher MgO but lower whole iron (TFe).

Both anorthosite and hornblende pyroxenite phases have strongly iron mineralisation in this region. The former is characterised by small lenticular to massive iron mineralisation, while the latter contains dense disseminated V-Ti-magnetite ore bodies. Mafic anothositic intrusions, which have a closely genetic relationship with iron mineralisation in this region, are Damiao, Tiema, and Gaoshitai rock bodies.

4.1.3 Structure

The project area is in the north margin of the North China tectonic plate, within the Yanshan folded belt. From north to south, there are three deep faults: Fengning-Longhua fault, Hongshili-Damiao fault, and Shangyi-Pingquan fault. Structural line trends west-easterly, which is the main fault controlling distribution of the mafic intrusions. The Mesozoic Yanshan tectonic movement overlaps the west-east structure, forms northeast-north northeast, and northwest subsidiary fractures.

4.1.4 Regional Mineralisation

There are a number of mineral deposits in this region. The most important known deposits are phosphorus and/or vanadium-titanium bearing iron ores including Beipuzi iron deposit, Gushan iron deposit, Tengfei iron deposit, and Gangzidonggou iron deposit. These deposits are mainly in the mafic anorthosite and pyroxene-hornblenite rock bodies. There are also some small metasedimentary iron deposits and hydrothermal gold deposits in the region. Other deposits in the region are coal and the non-metallic mineral deposits include building materials.

4.2 Property Geology

4.2.1 General Geology

In the property areas, strata are not well-developed. There are spare Quaternary sediments distributed in the two sides of valley, such the Yingwu river bank. The Jurassic Zhangjiakou Group, overlying on mafic anorthosite rock bodies, consists of felsic pyroclastic rocks. Mafic anorthosite rock bodies in the deposit district trend east-west, and are controlled by the Chengde Damiao- Pingquan Niangniangmiao fault zone. Other associated secondary faults and fractures do not have katogene to the ore-bearing rock bodies.

The Beipuzi and Gushan iron deposits are typical magmatic deposits, a product of late stage magma segregation. The lithologies of magmatic rock bodies control the iron mineralisation. Although both anorthosite phase and hornblende pyroxenite phase have iron mineralisation, most ore bodies of the two deposits are within the latter phase (Figure 4-2 and Figure 4-3). The ore minerals are mainly magnetite and ilmenite (locally having hematite) and less sulfide (pyrite). Gangue minerals include mainly pyroxene and hornblende, with less apatite, sphene, epidote, and chlorite (Figure 4-2 and Figure 4-3).

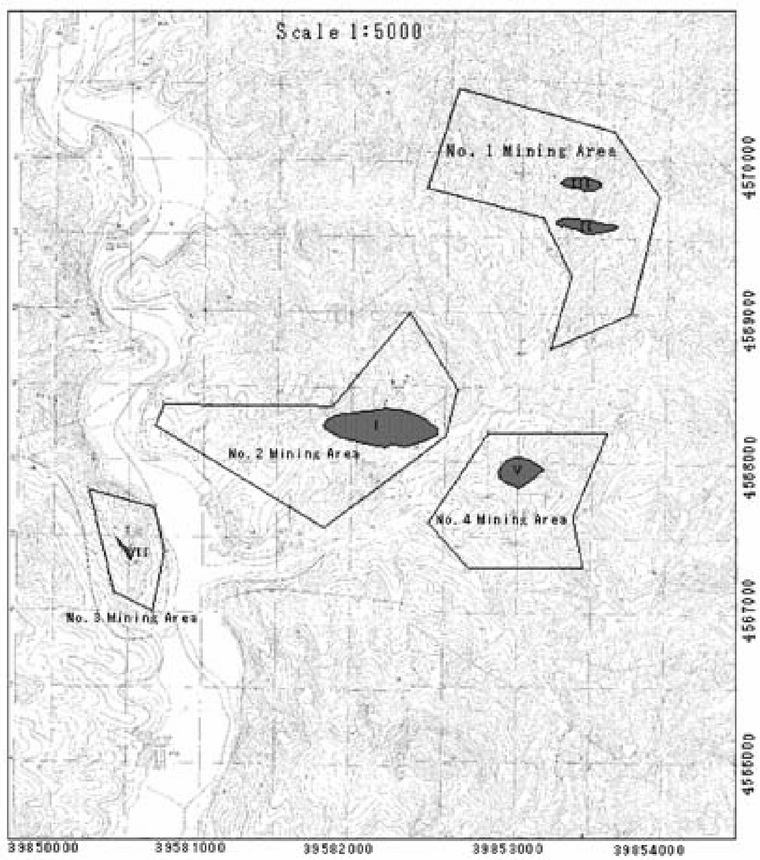

Figure 4-2: Geological Map of Beipuzi Deposit (for Legend See Figure 4-1)

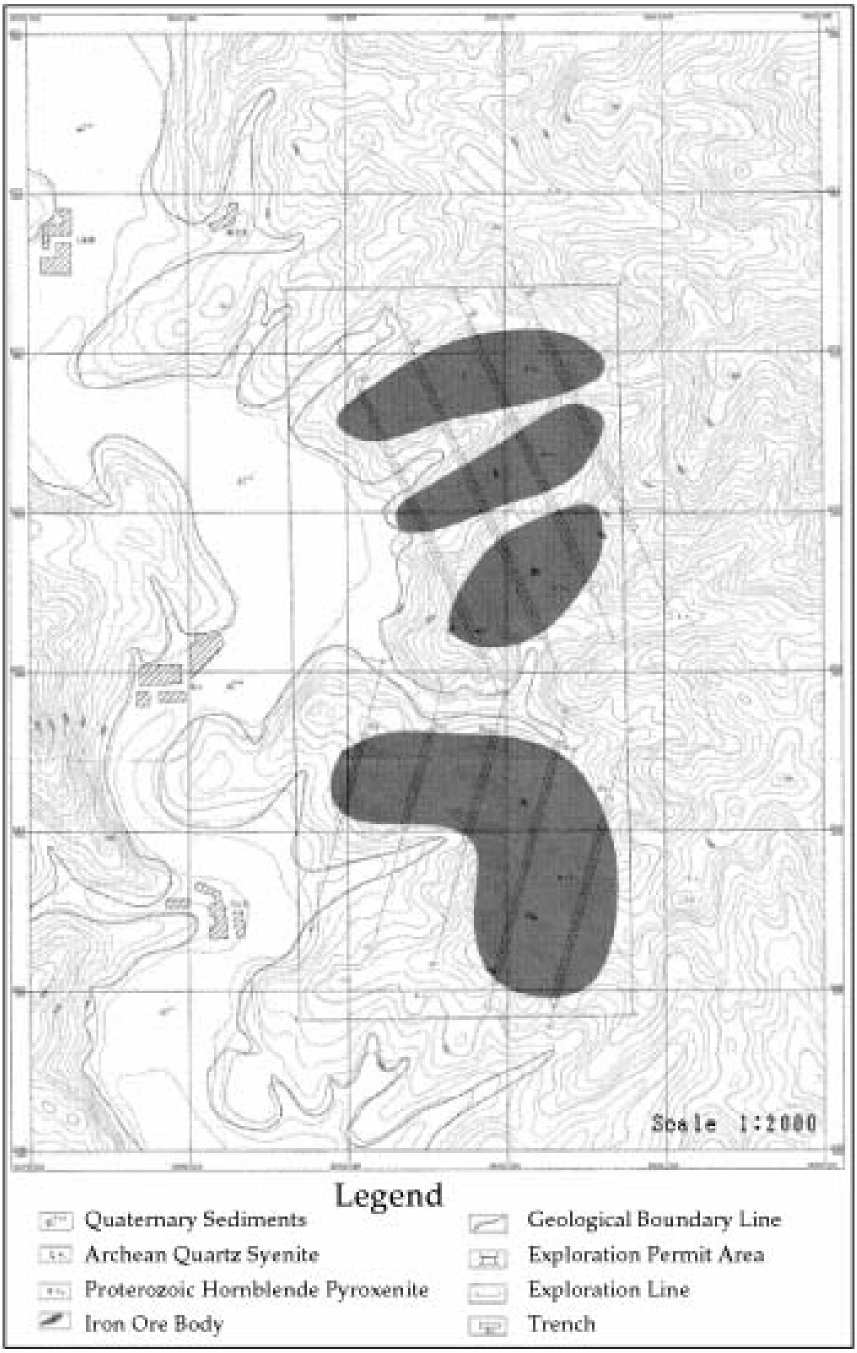

Figure 4-3: Geological Map of Gushan Deposit

4.2.2 Orebody Geology

4.2.2.1 Beipuzi Iron Deposit

According to an approved resource estimate report compiled by Chengde Sanyuan Geology & Mineral Resources Co. Ltd., there are four mining areas including seven ore bodies; I, II, III, IV, V, VI, and VII in the Beipuzi iron deposit. Nos. II, III, and IV ore bodies are in the first mining area; No. I in the second mining area; No. VII in the third mining area; and Nos. V and VI in the fourth mining area. The first six ore bodies are in the hornblende pyroxenite, while the last one is within the anorthosite (Figure 4-2). These ore bodies are delineated by mapping and surface channel sampling via five trenches and exploration lines at 200 m spacing.

Ore bodies in the hornblende pyroxenite are characterised by various sized lenticular and or oval shapes. They trend nearly west-easterly, range from 110 m to 860 m long and 55 m to 200 m wide, and dip steeply with angles of approximately 90º (see Table 4-1 for detail). The VII ore body occurring in the anorthosite features a tabular (vein) shape (locally pinch and swell), trends north north-west (strike 325º), and dips north-east with an angle of 35º. It is 188 m long and an average of 12 m wide. Ore minerals are mainly magnetite, ilmenite, and hematite, and gangue minerals are mainly pyroxene with less horenblende and plagioclase. The ore structures are dense disseminated. The whole iron (TFe) grade ranges from 20.12% to 21.84% with an average of 21.46%, and average grade of the magnetic iron (mFe) is 11.29%, which responds to a mFe and TFe ratio of 53%.

Table 4-1: Ore Body Characteristics in Beipuzi Iron Deposit

		Occurrence			Width*(m)*		Average grade*(%)*	
Mining area	Ore body	Strike	Angle	Length *(m)*	Maximum	Average	TFe	mFe
1st	II	EW	90º	272	80	65	20.45	
	III	EW	90º	418	55	35	20.80	
	IV	EW	90º	110		8	20.17	
2nd	I	EW	90º	860	255	200	21.36	
3rd	VII	NW (325º)	35º (Dipping NE)	188	22	12	20.12	
4th	V	EW	90º	360	200		21.84	
	VI	EW	90º	180	40	25	21.04	

4.2.2.2 Gushan Iron Deposit

Based on the Gushan iron deposit geological exploration report completed by Qinhuangdao Donghongxiang Geological Exploration Co. Ltd., four ore bodies are delineated in the Gushan exploration licence area. They are I, II, III, and IV, all of which are carried in the hornblende pyroxenite (Figure 4-3). These ore bodies are defined by mapping and surface trenches (nine exploration lines at 200 m spacing) channel sampling.

All four ore bodies are within the hornblende pyroxenite, and are characterised by large-sized lenticular shapes, 600 m to 980 m long and 165 m to 450 m wide (Figure 4-3). They trend north- westerly and dip steeply with angles of approximately 90º. Ore minerals are mainly magnetite and ilmenite, and gangue minerals are mainly pyroxene and horenblende, with less apatite, sphene, and chlorite. The ore structures are massive. The total iron (TFe) grade ranges from 20.26% to 20.83%, and the magnetic iron (mFe) grade is from 9.96% to 10.73% (Table 4-2).

Table 4-2: Ore Body Characteristics in Gushan Iron Deposit

	Occurrence			Width *(m)*		Average grade *(%)*	
Ore body	Strike	Angle	Length *(m)*	Maximum	Average	TFe	mFe
I	NW	90º	860	240	200	20.26	9.96
II	NW	90º	725	210	165	20.52	10.35
III	NW	90º	600	310	235	20.77	10.73
IV	NW	90º	980	742	450	20.83	10.66

4.3 Mineralogy

4.3.1 Beipuzi Iron Deposit

Based on a 2004 approved resources estimate report on the Beipuzi deposit, the major ore minerals are magnetite, ilmenite and hematite. Gangue minerals are pyroxene, hornblende, and plagioclase. Ore magnetite is characterised by semi-euhedral granular texture, and massive structure. Its grain size ranges from 0.1 mm to 0.6 mm in diameter (Figure 4-4). The total iron and magnetic iron grades range from 20.29% to 53.47% and 11.87% to 43.00%, respectively. There are useful associated components of V_2O_5, TiO_2, and P_2O_5. The first two had average grades ranging from 0.16–0.58% and 1.82–15.56%, but the last is relatively low (see Table 4-3). Titanium (Ti) is mainly carried by ilmenite and some replacing iron fixed in magnetite. Vanadium (V), substituting for Fe, is mainly in ilmenite and magnetite. Phosphorus (P) is only carried by fluorapatite. Sulphur (S) as an undesirable element when present in iron ore. It is only fixed in sulphide minerals of pyrite and pyrrhotite. The content of sulphur in the iron concentrate is low and ranges from 0.06 to 0.15% (Table 4-3), indicating low content in the ores.

Table 4-3: Assay Result of Useful and Harmful Components of Ore in Beipuzi Deposit

Sample No.	TFe (%)	mFe (%)	TiO_2 (%)	V_2O_5 (%)	S (%)	P (%)
20070928#	20.29	11.87	1.82	0.16		
20070929#	53.47	43.00	15.56	0.58		
20070930#	48.12	36.79	11.11	0.45		
20070933*	66.37				0.09	0.16
20070934*	59.02				0.15	0.18
20070935*	65.44				0.06	0.18

Note: TFe – whole iron; mFe – magnetic iron

Iron ore samples; * Concentrate iron samples

Figure 4-4: Typical Magnetite in Beipuzi Iron Deposit

4.3.2 Gushan Iron Deposit

According to a geological exploration report (2006), ore minerals are mainly magnetite (8–15%) and ilmenite (3–7%) with less pyrite, and gangue minerals are mainly pyroxene and hornblende, with less apatite, sphene, and epidote and chlorite. Ore is featured by medium-coarse, grain-sized texture and massive structure.

In addition to iron, there are also useful associate components of V_2O_5, TiO_2, and P_2O_5. They are 0.50–0.66%, 6.14–6.33%, and 0.19–0.20%, respectively. The content of harmful sulphur is low and ranges from 0.16 to 0.20% (Table 4-4).

Table 4-4: Assay Result of Useful and Harmful Components of Ore in Gushan Deposit

Sample No.	**mFe** *(%)*	**TiO_2** *(%)*	**V_2O_5** *(%)*	**S** *(%)*	**P** *(%)*
ZH01	11.70	6.14	0.50	0.20	0.19
ZH02	10.51	6.33	0.66	0.16	0.20

Note: mFe – magnetic iron

4.4 Sampling Methods, Analytical Procedures and Quality Control

4.4.1 Beipuzi Iron Deposit

Chengde Sanyuan Geology and Mineral Resource Co. Ltd. conducted exploration programs in 2004 to estimate mineral resources. These programs included trenching, geological mapping, and sampling. A total 931 m of seven trenches were completed, and 338 channelling samples collected for analysis. Table 4-5 lists the major programs completed by the Sanyuan Geological Exploration Co. Ltd.

Table 4-5: Programs Conducted by Sanyuan Geology and Mineral Resource Co. Ltd.

No.	Programs	Unit	Total
1	Topographic map compilation at scale 1:5,000	Km^2	26
2	Geological mapping at scale 1:5,000	Km^2	26
3	Planimetric map with samples at scale 1:2,000	No. of maps	4
4	Cross-section map at scale 1:1,000 for resources estimate	No. of maps	16
5	Mining area delimitation (survey, measurement)	Point	24
6	Collection of samples	No. of samples	338
7	Cross-section map with samples at scale 1:1,000	No. of maps	16
8	Completion of report	No. of reports	1

All samples were taken from trenches using a channelling method. The channel section size is 5 cm wide by 3 cm deep. The length of each sample was less than 4m. Channels are chipped horizontally on one wall of the trenches. Wall rock and ore unit were sampled separately. The sample weights range from 20 to 25 kg. Sample preparations including crushing, grinding and sieving are in a standard procedure. All samples were assayed in Chengde Hongshi Laboratory (CMA2006030655G), Hebei Bureau of Geology and Mineral Exploration. For quality control, 55 samples (53 core and two trench samples) were used as duplicates. The samples were manually crushed to 30 mm before being sent to the laboratory. Samples were prepared following standard procedures in the laboratory. Total iron (TFe), S, and P_2O_5 were assayed for every sample. In total, 162 samples were internally checked. Analytical quality complies with the Chinese National Analytical Standards.

4.4.2 Gushan Iron Deposit

In a 2006 report, the Qinghuangdao Donghongxiang Geological Exploration Co. Ltd. completed: (1) detailed geological mapping at scale 1:5000 in an area of 2.42 km^2; (2) magnetic survey at the same scale in an area of 0.98 km^2; (3) a total 1020m of trenches; and (4) collection and analysis of 82 samples (see Table 4-6).

Table 4-6: Workloads Conducted by Qinghuangdao Donghongxiang Exploration Co. Ltd.

No.	Programs	Unit	Total
1	Geotopographic mapping at scale 1:5,000	km^2	2.42
2	Magnetic survey at scale 1:5,000	km^2	0.98
3	Cross-section map measurement at scale 1:1,000	m	9,300
4	Trenches	m	1,020
5	Collection of samples	No. of samples	82
6	Analysis of samples	No. of samples	82
7	Completion of report	No. of reports	1

Samples were also taken from trenches using a channelling method. The channel section size is 5 cm wide by 3 cm deep. The length of each sample was no more than 4 m. Channels are chipped horizontally on one wall of the tunnel. Wall rock and ore unit were sampled separately. Each sample weight was about 19 kg. Sample preparations followed standard procedures. Each sample was first crushed to -0.9mm, and then at least a 400g sample was taken and ground to about -200 mesh for analysis. In total, 82 samples were assayed for TFe and mFe (basic analysis), and for V_2O_5, TiO_2, and P_2O_5 (portfolio analysis). Ten samples were selected for internal checking. The analytical quality satisfies Chinese requirements for geological exploration.

4.5 Ore Resources and Reserves

4.5.1 Resource Categories

In 1999, the Chinese Government established a new resource category system: Chinese National Standard for Solid Mineral Resources/Reserves Classification (GB/T17766-1999). It is a three-digit system, where the last digit indicates the geological certainty: 1 stands for measured mineral resource; 2 for indicated mineral resource; 3 for inferred resource; and 4 for unclassified resource. Both the Beipuzi iron deposit and Gushan iron deposit adopted this resource category system. The new Chinese system uses a different JORC code, (see Appendix 4 for a comparison between the resource categorisation systems).

For the Beipuzi deposit, an exploration engineering density of 200 m (spacing between exploration lines) by 20–50 m (dipping depth) was used to estimate resources into 122b or 333 category resources; for the Gushan deposit, an exploration engineering density of 200 m by dipping depth of 100m was used to define 333 category resources.

4.5.2 Cut-offs

4.5.2.1 Beipuzi Iron Deposit

There are no exact technical parameters issued by authorities in this district in 2004. Based on the larger ore body suitable for open pit mining and considering the higher market price (≥RMB500/t) of iron concentrate, the following technical parameters were proposed in the confirmed resources estimate report written by Chengde Sanyuan Geology and Mineral Resource Co. Ltd. (2004):

- Overall cut-off: ≥15% TFe;
- Minimum average block grade: 25% for TFe;
- Minimum deposit thickness: 4.0 m;
- Maximum band allowed: 4.0 m;
- Open slope angle: 60°; and
- Stripping and mining ratio: <2:1.

4.5.2.2 Gushan Iron Deposit

According to the "Ultra-Poor Magnetite Exploration Technical Specification" issued by Hebei Bureau of Land and Resources, the technical parameters (from exploration report by Qinghuangdao Donghongxiang Geological Exploration Co. Ltd.) were adopted as follows:

- Overall cut-off: ≥6% mFe;
- Minimum average block grade: ≥8% for mFe;
- Minimum deposit thickness: 4.0 m;
- Maximum band allowed: 4.0 m;
- Open slope angle: 60°;
- Stripping and mining ratio: <2:1; and
- Minimum erosion datum: 500 m.

4.5.3 Resources Estimate

Based on features of ore bodies in the deposits, both Chengde Sanyuan Geology and Mineral Resources Co. Ltd. and Qinhuangdao Donghongxiang Exploration Co. Ltd. used a cross-section method to estimate resources. Ore body between exploration engineering lines was delineated into one ore block, and ore body outside exploration lines in principle was defined as a separate ore block. Therefore, 18 ore blocks were delineated in the Beipuzi iron deposit, whereas, 20 ore blocks were in the Gushan iron deposit. Table 4-7 and Table 4-8 give overall resources of ore bodies in the Beipuzi and Gushan iron deposits, respectively.

The main resource parameters used for resources estimates are:

1 Average grades: arithmetic average for exploration engineering line; weighted average for area; weighted average for ore block, ore body, and whole deposit.

2 Ore densities: 3.3 t/m^3 for the Beipuzi iron deposit, and 3.12 t/m^3 for the Gushan iron deposit.

3 Areas of ore blocks were defined on cross-section map and/or longitudinal projection map along exploration line, and were calculated using a standard formula because they mainly show as triangle, trapezoidal, and rectangle shapes.

4 Volume of ore blocks were calculated by using a standard formula for various shapes. For example, V=S/3 x H, when only one area shown and ore block as cone shape; or V=(S1+S2)/2 x H, when two areas shown and (S1-S2)/S1 x 100<40%. Here V is the volume of ore block, S, S1, and S2 are areas of ore blocks; and H is vertical distance between two section areas.

5 Resources of ore bodies were estimated using a standard formula: Q=V x d, where Q, V, and d are the ore resources, volumes, and densities, respectively.

Table 4-7: Resource Estimates on the Beipuzi Iron Deposit

Mining Areas	Orebody No.	Oreblock No.	Resource Type	Resource Tonnage (t)	Average grade (%) TFe
1st	II	1	333	369,600	20.45
	II	2	333	415,800	20.45
	III	1	333	193,601	20.79
	III	2	333	255,199	20.79
	IV	1	333	29,888	20.17
	IV	2	333	16,553	20.17
	II+III+IV		333	1,280,641	20.56
2nd	I	1	333	82,388	21.15
	I	1	122b	1,147,080	21.25
	I	3	122b	3,824,261	21.74
	I	4	122b	2,701,380	21.82
	I	5	122b	620,400	20.51
	I	6	122b	126,911	20.41
	I		122b	8,420,032	21.59
	I		333	82,388	21.15
	I		122b +333	8,502,420	21.58
3rd	VII	1	333	49,500	20.12
	VII	2	333	42,075	20.12
	VII		333	91,575	20.12
4th	V	1	333	308,659	21.84
	V	2	333	442,751	21.84
	VI	1	333	117,216	21.04
	VI	2	333	117,216	21.04
	V+VI		333	985,842	21.65
Whole Area			122b	8,420,032	21.59
			333	2,440,446	21.01
			122b +333	10,860,478	21.46

Table 4-8: Resource Estimates on the Gushan Iron Deposit

Orebody No.	Oreblock No.	Resource Type	Resource Tonnage (t)	Average grade (%) TFe	mFe
I	1	122b	10,487,446	20.84	10.71
I	2	122b	17,236,752	20.23	9.96
I	3	122b	16,623,894	19.93	9.58
I	1	333	1,201,200	22.26	10.75
I	2	333	2,154,880	19.32	10.33
I		122b	44,348,092	22.26	9.92
I		333	3,356,080	20.37	10.48
I		122b + 333	47,704,172	20.26	9.96
II	4	122b	3,685,556	20.74	9.84
II	5	122b	8,597,313	20.61	10.25
II	6	122b	10,155,600	20.40	10.60
II	3	333	209,664	20.79	10.17
II	4	333	879,840	20.20	10.70
II		122b	22,438,469	20.53	10.34
II		333	1,089,504	20.31	10.6
II		122b + 333	23,527,973	20.52	10.35
III	7	122b	14,725,152	20.79	10.96
III	8	122b	16,934,112	20.80	10.68
III	5	333	954,720	20.59	10.36
III	6	333	2,645,760	20.68	9.94
III		122b	31,659,264	20.79	10.81
III		333	3,600,480	20.66	10.05
III		122b + 333	35,259,744	20.77	10.73
IV	9	122b	9,687,338	21.40	10.07
IV	10	122b	17,280,120	20.40	9.66
IV	11	122b	14,706,111	21.04	10.15
IV	12	122b	34,607,040	20.77	10.49
IV	7	333	550,160	20.26	9.77
IV	8	333	5,166,720	19.31	9.76
IV		122b	76,280,609	20.94	10.73
IV		333	5,716,880	19.40	9.76
IV		122b +333	81,997,489	20.83	10.66
Whole Area		122b	174,726,434	20.70	10.81
		333	13,762,944	23.25	9.89
		122b +333	188,489,378	20.67	10.38

SRK notes that the geological certainty of the resources may satisfy Chinese standards, but more work needs to be done to give reliable estimate resources for both deposits. Work should include, more trenching and drilling programs to define the geometries and average grades of ore bodies. In SRK's opinion, both Qinhuangdao Donghongxiang's estimate and Chengde Sanyuan's estimate will not necessarily be consistent with JORC resources.

4.6 Previous Exploration Work

Before Longxin took over operation of the Beipuzi and Gushan iron ore projects in 2004, exploration work was carried out by different government groups including No. 4 and No. 10 Geological Brigades of Hebei Bureau of Geology and Mineral Resources, and other private sectors. Longxin and their contractors have conducted exploration work since May 2004.

Exploration work completed by Central and Provincial government groups from 1954–2003 is:

1 Airborne magnetic survey at northern Hebei by the Ministry of Land and Resources China, 1954–1977.

2 1:200,000 scale geological and geochemical mapping at northern Chengde district by No. 4 Geological Brigade of Hebei Bureau of Geology and Mineral Resources, 1980.

3 No.4 Geological Brigade of Hebei Bureau of Geology and Mineral Resources completed geological exploration work on the Beipuzi iron ore deposit in Longhua County, estimated inferred ore resources (333 resource category) of 66,500 t, with average TFe grade of 29.5%, 2001.

4 No. 4 Geological Brigade of Hebei Bureau of Geology and Mineral Resources completed further geological survey of the poor V-Ti-magnetite in Chengde district, investigated distribution of the ores, delineated target areas of mineralisation, and conducted ore resources/reserves prediction of 4.5 billion tonnes, 2003.

Exploration work completed by Longxin from 2004 to present is:

1 Chengde Sanyuan Geology and Mineral Resources Co. Ltd., commissioned by Longxin, conducted exploration and resource estimate, 2004.

2 Qinhuangdao Donghongxiang Geological Exploration Co. Ltd., commissioned by Longxin, conducted exploration and resource estimate, 2006.

4.7 Potential for Further Exploration

Both Chengde Sanyuan Geology and Mineral Resources Co. Ltd. and Qinhuangdao Donghongxiang Geological Exploration Co. Ltd. have estimated the resources of Beipuzi and Gushan iron deposits at 122b and 333 categories. In the view of SRK, both categories of mineral resources can be potentially upgraded into higher categories of mineral resources, by further exploration programs, such as surface drilling and trenching, accompanied with sampling. The company should ensure that the sampling meets the requirements of the PRC government standards and the JORC Code.

Longxin can also seek technical advice about the direction of exploration from its own professional staff, or contractors mentioned above, or from internationally recognised professional geological consultants.

5 GEOTECHNICAL ASSESSMENT

5.1 Overview of Geotechnical Conditions

The geotechnical conditions at Beipuzi Iron mine were assessed by SRK over three days between 19 September and 21 September 2007. Beipuzi Iron mine was visited by SRK on 20 September 2007. Geotechnical observations and opinions given in this report are based on a review of available information and onsite discussions with senior management teams. Information made available to SRK and reviewed for the purposes of this report is documented in the references section.

At the time of the SRK site visit the mine development/operations status, as applicable to geotechnical issues, was as outlined below:

- **Open Pit**: Four open pits were divided inside the mine boundary area. They are pits No. 1, No. 2, No. 3 & No. 4, respectively. During SRK's site visit, only Pit No. 1 (two mining faces) and Pit No. 2 (five mining faces) were active in mining. One hydraulic shovel with a capacity of 1.2 m^3 and one front-end-loader were assigned to each mining face. The truck fleet consisted of ten 20-tonne trucks and thirty-five 25-tonne trucks (where 22 are owned by Longxin). In general, the operation runs in 12-hour shifts (day-shift) only. Each truck can travel 20 returns from the mining area to the ore processing plant daily. The surrounding rocks are primarily feldspar or pyroxene diorite and the pit walls appear to be moderately stable. For all pits the thickness of top-soil is generally about 5m, then there is a weathered belt with a thickness varying from 7–8m. The iron ore is sitting below the weathered belt where the ore grade varies from 20.1% to 21.8% TFe.

- **Plant Area**: The ore-processing plant was next to the mine site office. It was observed that the foundation of the plant was stable and the plant was well managed.

- **Office and Accommodation**: It was noticed that both the site office and accommodation were well built and maintained.

- **Access Roads**: Formed and being maintained. The mine site is 43 km north of Chengde city, where the first 35 km from Chengde is a two-lane No. 101 national highway, then 8 km of narrow concrete road to the mine site. At the time of the site visit roads were observed to be in good condition. However, it is, anticipated that road maintenance requirements will increase as production reaches full capacity.

- **Tailings Storage Facility (TSF)**: Based on the site observation, it is understood that the TSF includes a starter dam, a flood discharge pipeline, a flood diversion ditch and a containment pond. This dam has been used since October 2003 and will last for about another two years. A new tailing dam site was selected not far away from the current one.

5.1.1 General

Topography within the mining areas is hilly, with an elevation of between 470mRL and 881mRL. The area has a typical continental climate with seasonal wind. The average annual temperature is about 6.5°, where the winter is usually cold and the summer is hot. The annual precipitation is about 545 mm and the frost-free period is around 140 days. The surface water generally comes from Yingwu River, a branch of Luan River. Running water is available year-around and is sufficient for industrial and residential use.

From discussions with site personnel it is understood that mining is done in 12-hour day shifts throughout the year. There are many examples of open pit mines which operate through winter that are as, or more extreme than those at Beipuzi Iron mine. SRK formed the opinion that both site and design personnel were aware of technical implications and requirements for mining through winter.

As such, the coldest months (January and February) were allocated for maintenance when mining generally stops. These two months coincide with Chinese New Year and most miners are on annul leave for family reunions. SRK was told that snow could fall as deep as 0.5 m in winter. It is SRK's view that operating budgets should make specific allowance for decreased production rates and increased production costs during winter.

The Beipuzi Iron mine is located within a seismic moderately active area. SRK learned from the site visit that the area falls within a zone classified under the Chinese system as being prone to earthquake with an intensity of "6 degrees". Site and design personnel advised SRK that design took account of Chinese Codes of Practice for seismically-active areas.

5.2 Open Pit

5.2.1 Design Criteria

From discussions with site personnel, it is understood that there is no detailed mine design so far. During the site visit SRK established the basic pit design criteria as shown in Table 5-1.

Table 5-1: Pit Design Final Wall Criteria

Parameter	**Design Value**
Bench Height *(m)*	10
Berm Width *(m)*	3 m for safety berm and 7 m for the cleaning berm
Ramp Width *(m)*	20
Bench Batter *(°)*	70
Bench Stack Angle *(°)*	56 to 58

The design parameters given in Table 5-1 are considered by SRK to be appropriate, and perhaps somewhat conservative, for final pit walls formed in competent rock. It is important to note that SRK is of the opinion that geotechnical conditions at the mine are inadequately understood at the time of preparing this report. Further geotechnical work is required to confirm that pit wall design criteria are consistent with geotechnical conditions, including geological structure.

5.2.2 Site Observations

SRK was informed that seven mining faces are spread over 2 open pits; where open pit No. 1 has two mining faces and open pit No. 2 has five mining faces that were being mined at the time of site visit. A general view of east area of No. 2 pit as at 20 September 2007 is shown in Figure 5-1.

Figure 5-1: Mining in the East Area at Open Pit No.2

The pit was considered by SRK to be in the early stage of development, and it was observed that the pit development had not yet incorporated any final walls consistent with design information provided during pre-site discussions with site personnel.

Pit walls that were observed had been formed within both weathered and fresh materials close to natural ground level. SRK anticipates the in-situ rock will become more competent with increased depth. In SRK's opinion it is important to assess blast performance with respect to slope condition, and to modify practices to attain minimum damage to the final walls. SRK considers it important to minimise damage to final walls to optimise pit design and stability.

5.2.3 Operational Aspects

From discussions with mine personnel it was understood that the working bench will be 10 m high and that blasted rock will be loaded by front-end loader into 20t or 25t haul trucks. Working bench batters are to be formed at 70° in rocks. SRK is of the opinion that this planned operation is appropriate and feasible.

SRK understands that blastholes are 33 mm in diameter and to a maximum of 3 to 6 m deep for all mining faces, except for one in the open pit No. 2 where the depth of the hole reaches 13 m operated by mining subcontractor of Wenzhou Zhongda Mine Construction Engineering Co. Ltd. SRK was told that to ensure the smoothness of the final pit as well as stability of the pit slope; a pre-blasting technique will be adopted along the bench toes. It is SRK's view that this technique is appropriate.

5.3 Tailings Storage Facility (TSF)

At the time of the site visit SRK made enquiries with respect to tailings storage at the Beipuzi Iron mine. Based on the site observation, it is understood that:

- The stater dam was built of waste rock and concrete, 50 m wide and 30 m high at a sloping of 1:1.75. The total volume of the dam is about 5.45 million cubic meters.

- The initial design indicates that the lift (vertical height) for each sub-dam is 3 m at a sloping of 1:3 built of tailings material. For every 5 sub-dam, one berm of 6m wide is built. The actual construction doesn't fully follow the initial design. Based on the site observation, the current dam height is about 75 to 80 m including the starter dam.

- The transportation distance from the processing plant to the tailing dam is about 800 m.

- This tailings dam is "seepage proof" (a geo-membrane is allowed for).

- The tailings were discharged at multiple points (normally 3 out of total 8 points) and the dry beach length in general is more than 50 m.

- There is a flood diversion ditch located at the upstream of the east side of the dam along the foot of the hill to discharge floodwater and keep it away from the dam.

- There is one concrete pipe being buried west of the dam to discharge excessive water inside the beach area. The pipe comes out at the downstream side of the dam and discharges water outside the embankment side.

- Annual discharge of tailings is about 1.35 Mt where the mill processes about 1.5 Mt of ore annually. The service life is the existing tailings dam is around 6 years from late 2003 and it is expected that the service life left is about 2 years from now.

- It has potential to have an increased volume (undefined) by raising the embankment.

SRK was provided with a design on the tailing dam prepared by Chengde Huatai Design Co. Ltd. in relation to this existing dam. During the site visit, SRK was told the new tailings dam site had been selected next to the existing one, located in next valley in the east of the current one.

From discussions with site personnel, it is understood that site personnel are aware that climatic conditions, including a substantial period where the ground is frozen, are not appropriate to raise the dam.

Insufficient design information was given during the site visit for SRK to provide an in-depth assessment of geotechnical aspects of the existing TSF at Beipuzi Mine

From the onsite discussions and information reviewed, SRK has formed a number of general opinions with respect to the TSF. These include:

- The planned TSF would be classified as a large dam according to ICOLD. As such, minimum design, review, operation and maintenance standards should be followed to minimise risks associated with a large dam. SRK has not sighted evidence of rigorous design, review, operation and maintenance procedures.

- Site staff and design personnel did not have similar understandings of requirements for a TSF. It is important for the design requirements to be properly communicated to site and construction personnel.

- The proposed upstream method of construction is probably the most cost-effective, though it is also the least desirable method of construction for a TSF located within a seismic environment. However, as the site is within a medium level of earthquake prone area, the upstream method should be carried out with caution.

- Information obtained during the site visit does not provide sufficient detail with respect to the TSF. In particular, construction specifications, hydrology and hydrogeology need to be addressed.

- There is insufficient geotechnical information to prepare a reliable and cost-effective TSF design.

- It is noticed that there are two villages (around 20 to 30 houses each) located at the foot of the tailings dam implying that the tailings dam could be potentially a safety hazard to the local residents.

- The TSF at Beipuzi Mine presents a high risk that should be properly evaluated.

5.4 Waste Rock Disposal

Insufficient information has been provided to SRK for a detailed review of waste disposal plans. Based on site observations and discussions with site staff, SRK has the opinion that waste is primarily dumped locally without any detailed planning. This may impose detrimental effect on future mining, as the ground below the dumped area may potentially have some mineralisation and repeat earth-moving may be required in the future if mining is to be expanded further.

5.5 Plant Area

At the time of the site visit two production lines with crushers and conveyors were operating inside the ore processing plant. Detailed design of plant structures was not sighted by SRK. It is anticipated there is unlikely to be significant geotechnical issues at the locations sighted.

5.6 Geotechnical Support

From discussions with mine personnel it is understood there has been very little geotechnical input provided to the project to date. It is also understood that provision has not been made for ongoing geotechnical support. Senior management staff onsite were of the opinion that further geotechnical work was required, and SRK fully supports this opinion.

5.7 Geotechnical Risks

A summary of interpreted geotechnical risks is given in Table 5-2. The risk rating system used is derived from the Australian Standard (AS-NZS 4360 1999) in which risks can range from low to extreme. The standard is explained further in Appendix 5. Action required to address each category is shown in Table 5-3.

Table 5-2: Australian Standard Risk Rating

Risk Rating	Action Required
Extreme	Immediate action required
High	Senior management attention needed
Moderate	Management responsibility must be specified
Low	Manage by routine procedures

SRK notes that none of the risk ratings in Table 5-3 is "extreme". The ratings suggest that senior management action is required in several instances but all other areas should be handled by relevant management taking responsibility to do so or by routine procedures. High risk has been assigned to a number of items in view of the current understanding of geotechnical conditions.

Table 5-3: Geotechnical Risk Assessment

Risk Item	Likelihood	Consequence	Risk Rating
Failure of TSF	Possible	Moderate	High
Bench scale slope failure	Possible	Minor	Medium
Rockfall from bench face	Possible	Minor	Medium
Overall pit slope or inter-ramp failure	Possible	Moderate	High
Earthquake greater than Richter 5	Possible	Moderate	High
Landslide/failure of access road cutting or embankment slopes	Unlikely	Minor	Low
Failure of mine plant infrastructure foundations	Unlikely	Minor	Low
Failure of mine office/accommodation foundations	Unlikely	Moderate	Medium

All above risks are likely to be reduced to acceptable risks by applying appropriate remedial/risk management measures; including implementation of a comprehensive geotechnical data collection program and monitoring field conditions.

5.8 Hydrogeology

In general the east side of the mine area is higher than the west side with the highest elevation being 881mRL and the lowest being 470mRL. There is no surface water in the mine area and precipitation is the only way water can be accumulated. The water-bearing strata are summarised as:

– *Quaternary proluvium sandy gravel pore shallow water layer:*

It is in the Yingwu River valley, forming the valley floor and first rank terrace. The lithologies include medium to fine grain-sized sandstone and sandy gravel. The depth of water bearing bed ranges from 3–5m, and buried water is about 1.5–2.0m deep. The water is characterised by low mineralised Ca-Na bicarbonate-sulfate type water. The intensity of mineralisation is less than 0.5g/t and total hardness is about 10°.

– *Weathered pyroxene hornblendite fracture water layer:*

The secondary fractures were developed in the pyroxene hornblendite. Its water content will increase only during raining season, but very low on a whole. In the mining district, surface vegetation is very good, which absorbs rain, and adds to underground water. Flood occurs only during heavy raining season.

The surrounding rocks are mainly quartz-syenites that are crystal-blocky type. From an engineering geology perspective, the rocks are blocky. Others include augite-amphibolite that is in more intact structure. Quartz-syenites are strong and augite-amphibolites are medium strong in the mine area.

Based on historic records, no reports of earthquake greater than 5 on the Richter Scale have been recorded in this area. Mining activities certainly will create some disturbance on the local environment. SRK recommends that the detailed mining plan and scheduling should be carried out early where the mineral resources should be considered.

6 MINING ASSESSMENT

6.1 Introduction and Mine Description

The Beipuzi Iron Mine is a consolidated enterprise of mining and processing with a capacity to process iron ore at 1.50 Mtpa. Four open pits (No. 1, No. 2, No. 3 & No. 4) were divided inside the mine boundary area.

6.2 Mining Licence

The mining licence was issued on 16 August 2005 (see Appendix 2) and was approved by Chengde Land and Resource Bureau (see Table 6-1).

Table 6-1: Longxin Mine License

Mine	Mining License No.	Mining Area *(km^2)*	Expires on	Production Rate *(t/a)*	Type of Mining
Longxin	1308000520160	0.4225	Aug. 2008	60,000	Open Pit

Based on the updated registration on the mining licence issued by Longhua Land and Resources Bureau on 15 July 2004 (see Appendix 2: No. 5 Document in 2004), the mining area has increased from 0.4225 km^2 to 4.046 km^2 and the production scale was increased to 1.40 Mpta. SRK noted that the above change has not been reflected in the lately renewed mining licence.

The company's production policy is use its own mine resources to engage in mining, concentrating, and sales of iron concentrates. The company also has a policy to mine and process economically exploitable ore according to the rights provided by the mining licence.

6.3 Mining Method

The mine area in based on seven ore bodies. Due to the fact that the ore deposits are relatively intact, are close to the surface and are outcropping, as well as having simple hydro-geological and geotechnical conditions, open pit mining was selected. Trucks were used for ore transportation. The minable ore bodies in four mining areas are listed in Table 6-2.

Table 6-2: Open Pit and Associated Minable Ore-Body

Open Pit No	**1**	**2**	**3**	**4**
Ore-Body No.	II, III	I	VII	V

During the site visit, mining was carried out in open pit of No. 1 (2 faces) and No. 2 (5 faces) with a combined production to a maximum of 5000tpd. SRK has noted that current productivity is more than the production limit stipulated by the mining licence.

All drilling in 6 faces was conducted conventionally using handheld rock drills and was followed by blasting in shallow holes (3 to 6 m), except for one in Open pit No. 2 where the drill-holes of 13 m was drilled and blasted by mining subcontractor Wenzhou Zhongda Mine Construction Engineering Co. Ltd. Blasted materials were loaded by hydraulic shovel and transported by self-dumping trucks. The technical parameters used and observed are presented in Table 6-3.

Table 6-3: Mining Technical Parameters

Items	**Blasting hole depth**	**Blasting grid spacing**	**Unit consumption of explosive**	**Explosive type**	**Stripping rate**	**Mine dilution**
Unit	*m*	*M*	*kg/t*		*Waste t/ ore t*	*%*
Parameter	3 to 6	2x2	0.17~0.22	No. 2 rock explosives	0.25	8

6.4 Mine Design and Parameters

The mining boundaries for various mining areas were designed by the Chengde Huatai Engineering Design Co. Ltd (Table 6-4).

Table 6-4: Mining Area Size

Mining area No.	**Orebody No.**	**Length** *(m)*	**Width** *(m)*	**Elevation** *(m)*
1	II	260	120	From 650 to 731
	III	290	90	From 600 to 692
2	I	910	320	From 500 to 625
3	VII	195	32	From 550 to 563
4	V	305	230	From 550 to 590

6.5 Waste Dump Design

SRK has not been provided with any data regarding waste dump designs. Based on the site observation, SRK noted that waste rocks produced by routine production were dumped in nearby valleys with an average transport distance of 0.5 km. As the current production scale is small, the waste has not yet caused remarkable detrimental effect to the surrounding environment. However, SRK urges the company to conduct relevant design and planning to minimise this effect.

6.6 Equipment Selection

The summary of equipment used is presented in Table 6-5.

Table 6-5: Summary of the Equipment Used in the Mine Site

Equipment Name	Quantity	Types	Notes
Air Compressors	7		
Drills	17	YT7655	Including 2 deep hole drill
Excavators	7		1.0 to 1.2 m^3
Self-Dumping Trucks	45		Ten 20t & Thirty-five 25t
Tools Car	4		

SRK believes that to standardise current open pit mining, enhance production efficiency and reduce production costs, the company should focus on potential production expansion using medium to deep-hole blasting and with corresponding upgraded drilling equipment.

6.7 Quality Control of Ores

To minimise mining loss and dilution and to meet production demand on ore quality required by the processing plant, the five-point sampling for ores in the trucks is conducted routinely at least once per shift. Samples should be analysed and results fed back to guide the mine operation. The processing plant requires a minimum TFe grade of no less than 20%, with a mFe grade not less than 8%.

6.8 Water Management

The mine hydro-geological conditions are relatively simple. Basically the mine is in a drought area. Currently open pit mining is being conducted at the initial hillside. The local topography is not conducive to large amounts of water. No specialised drainage system is designed at this stage.

6.9 Production Scheduling

Due to the fact that the ore bodies have a good deposition condition and the mining technique is relatively simple, mine production can easily meet requirements for processing plant production. At the time of the SRK site visit, the mine had not worked out detailed mine design on a year-by-year basis for the next 5 years. SRK has observed that the mine has measures in place to blend ores with various grades to optimise production. At the moment, the mine has still engaged in further geological exploration work and ore resources are expected to increase to provide a basis for the mine's sustainable development. It is SRK's view that long-term planning and scheduling on a year- by-year basis for up to at least five years should be completed as soon as possible.

6.10 Auxiliary Facilities

Explosives and blasting equipment are stored separately 50 m apart inside a fenced area that is about 300 m in south-east direction in relation to the processing plant. The maximum capacity of explosive storage is 3t and specialised guards are in charge of storage safety.

6.11 Summary

The detailed open pit design has not been done. Mine production primarily uses the contract mining and shallow-hole blasting technique. This is labour intensive and has low production efficiency. SRK has noted that interim berms and benches inside mining areas have not formed properly, which will have adverse effect on long-term mining. Based on the current resources available and huge potential for further development, SRK recommends that management of safe production as well as improved mine design should be conducted jointly in an effort to achieve optimum production and better utilise the natural resources.

7 PROCESSING ASSESSMENT

7.1 Overview

Longxin Iron Mine belongs to an ultra low-grade vanadium-titanium magnetic iron deposit. The process flowsheet includes three stages; preliminary dry-magnetic processing after crushing; magnetic separation after grinding; and the coarse concentrate re-processing after classifying and re- grinding.

The plant is designed to process 1.50Mt of raw ore per year and 200,000t of iron concentrates with grades of more than 60%.

The processing plant consists of crushing, grinding, and magnetic separation and two production lines. At present only three of its six ball mills in the grinding workshop are available, therefore actual raw ore processing capacity is at 3200t/d, and production of iron concentrate is at 185 to 235t/d. During SRK's 2nd site visit in early December 2007, a new jaw crusher (PE600X900) and a new cone crusher (PY240) were being installed; one of the broken ball mills was well repaired and the other two were undergoing repair.

Longxin has not yet recovered the titanium due to its low content. The general view of the processing plant is presented in Figure 7-1.

Figure 7-1: View of the Processing Plant

7.2 Process Description

The ore type is V-Ti magnetic iron ore. The metallic minerals mainly consist of magnetite, ilmenite, and hematite. The rocky mineral are mainly hypersthene, secondly few plagioclase and amphibole. The magnetite appears hypidiomorphic granular texture and massive structure. The grain size of magnetite ranges from 0.1–0.6 mm, and the maximum size is about 1mm. The grade of TFe is 21.46%, and the grade of magnetic minerals is 11.29%. The rate of $(CaO+MgO)/(SiO_2+Al_2O_3)$ is two, so the ore is alkaline.

Ore from the mining faces is trucked to the raw ore storage yard for blending, then being crushed, ground and magnetically processed to produce a concentrate.

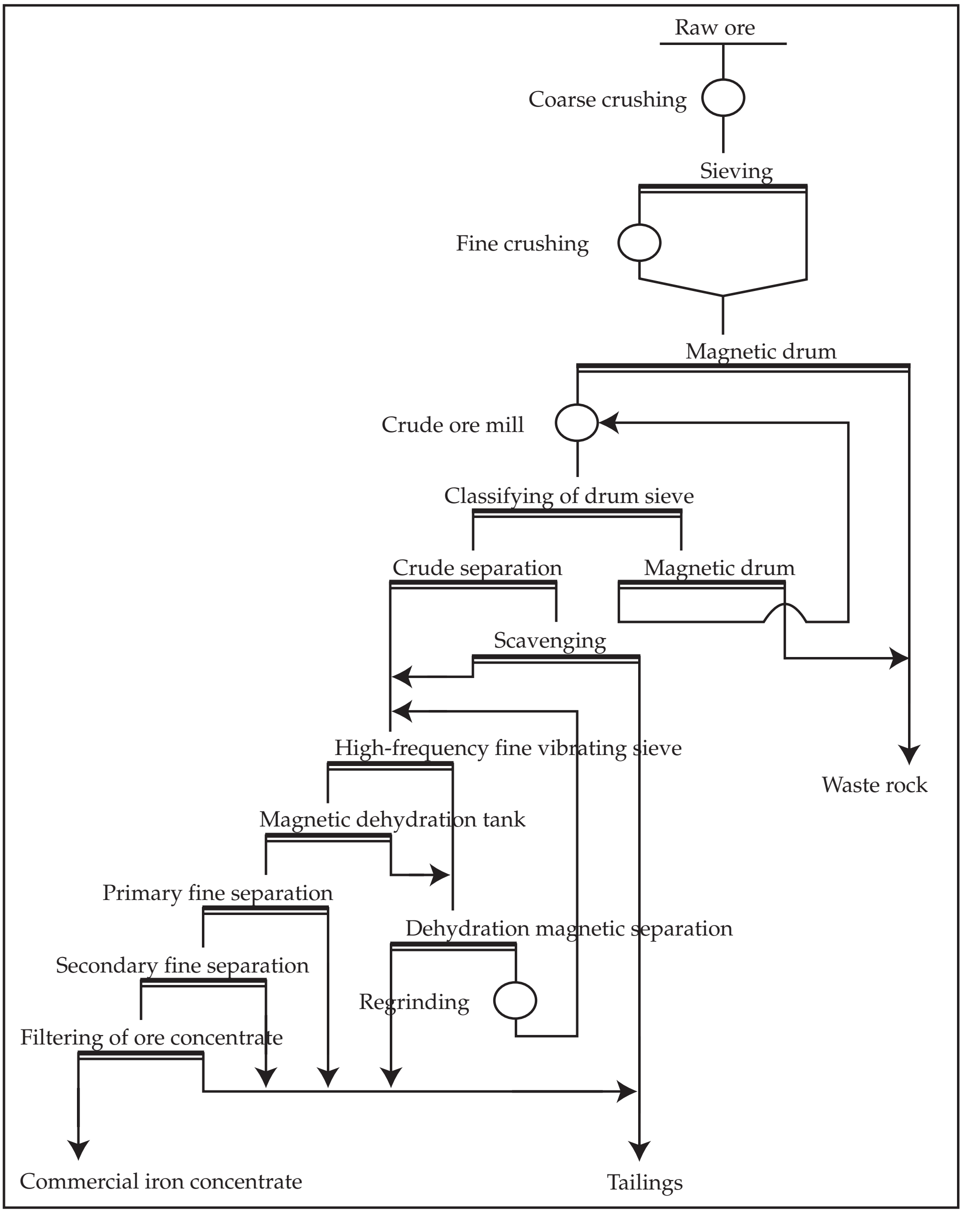

Figure 7-2: Ore Processing Flow

7.3 Ore Crushing

The crushing system includes two series which are parallel in one workshop. Raw ore is fed to a PE600x900 jaw crusher for coarse crushing. The coarse crushing production is fed into a vibrating sieve. Ore on the sieve is conveyed to the hammer crusher for fine crushing and the crushed grain is controlled by the hammer crusher's comb plate. Crushed ore is conveyed by belt conveyer via a permanent magnetic drum, and then conveyed to fine storage after discarding part of the magnetic waste ore.

The crushing system crushes ore of maximum 500 mm to less than 25 mm. Table 7-1 lists the crushing system equipment, and Figure 7-3 shows arrangement of equipment in the crushing workshop.

Table 7-1: List of Crushing Equipment

No.	Equipment	Specification	Qty. of unit series	Total	Purpose
1	Plate feeder		1	2	Raw ore feed
2	Jaw crusher	PE600 x 900	1	2	Coarse crushing
3	Belt conveyer	CT-630 x 750	1	2	Conveying of crude crushed ore
4	Vibrating sieve	SZ1250 x 2500	1	2	Sieving
5	Hammer crusher	PC 1000 x 800	1	2	Fine crushing of oversized ore
6	Magnetic drumbelt conveyer		1	2	Prediscarding of tailings
7	Belt conveyer		1	1	Waste rock conveying

Figure 7-3: Coarse Crushing Equipment Arranged in Parallel

7.4 Ore-Grinding and Magnetic Separation

Ore in the fine storage is conveyed to ball mills for coarse milling by belt. After the coarse milling ore pulp is sieved by the stable rotary drum with aperture size of 0.5 mm, oversized particles are fed to permanent magnetic drum via spiral conveyer where part of non-magnetic waste rocks is discarded; and then magnetic ore is fed back to the mill for regrinding. After passing through the drum sieve, grain size is smaller than 0.5mm (about 35% passing 200 mesh), the pulp gravitates to two 1200mm ϕ – 3000mm wet magnetic separators to sequentially produce coarse concentrate and tailings. Tailings are pumped into the tailings dam and the concentrate is pumped into a series of high-frequency fine vibrating sieves with aperture 120 meshes for classifying. The pulp passing the sieves with grain size 75% less than 200 mesh gravitates to one magnetic agglomeration separator (magnetic dehydration tank) for thickening and further separation; thereafter the concentrate flows into two united permanent magnetic separators for primary cleaning and secondary cleaning to produce iron concentrate and tailings. The oversized product on top of vibrating sieves, combined with overflow from the magnetic agglomeration separator, gravitates to a wet magnetic separator to dewater and then is fed into a ball mill for regrinding. The pulp from the regrinding is pumped into the vibrating sieves again. All the tailings and waste water are pumped into the tailings dam through two staged pump stations. The iron concentrate is pumped into a three-disc vacuum filter for dewatering to produce the final iron concentrate with a moisture content typically being 8.6%.

Table 7-2 lists grinding-magnetic separation equipment and Figure 7-4 shows part of workshop equipment. There are six kinds of ball mills in which three ball mills are available; two of the available ball mills for coarse grinding and one ball mill for regrinding. During SRK's September site visit, SRK noticed that the daily processing rate is of 3200 tonnes raw ore. On the SRK's December visit, SRK observed that one of the three broken ball mills was fully repaired and was in operation, and the other two were undergoing repair. It is anticipated that processing capacity will reach 5000t/d when all the broken mills are fully repaired and in operation.

Table 7-2: List of Ore Grinding and Magnetic Separation Equipment

No.	Equipment	Specification	Qty.	Remark
1	Belt conveyer		2	Crude mill feed
2	Ball mill	MQG2700 x 4800	1	Crude ore mill
3	Ball mill	MQG	1	Crude ore mill
4	Ball mill	MQG2200 x 4800	1	Regrinding of coarse concentrate
5	Spiral conveyer		2	The oversize grit of drum sieve shall be returned to the belt conveyer
6	Magnetic drum belt conveyer		2	Grit classifying and returning to the mill
7	Permanent magnetic drum-type separator		1	Crude separation of magnetic iron ore
8	Permanent magnetic drum-type separator		1	Scavenging of magnetic iron ore
9	Sand pump		1	Circulating of middlings
10	Sand pump		4	Conveying of tailings, two spare
11	High-frequency fine vibrating sieve		2 sets	Classifying of coarse concentrate
12	Magnetic dehydration tank		1	Thickening the slurry for fine separation
13	Permanent magnetic drum-type separator		1	Dehydration before regrinding of coarse concentrate
14	Permanent magnetic drum-type separator		2	Fine separation of magnetic iron ore
15	Three-disc vacuum filter		1	Filtering of concentrate
16	Belt conveyer		1	Conveying of concentrate
17	Ball mill		3	
18	Permanent magnetic drum-type separator		1	In the progress of installation or repair

Figure 7-4: A Corner of Ore Grinding and Magnetic Separation Workshop

7.5 Technical Parameters for Ore Processing

During the site visit, SRK obtained the latest data from October 2007 to November 2007 (Table 7-3 and Table 7-4).

The current production of iron concentrate is lower than forecasted which is possibly due to the reasons that the mine is currently mining the top covering layer with relatively lower grade, and that the other three ball mills have not yet been operating. Once the mining proceeds deep where the grade of ore is anticipated to be increased and the other three ball mills are in full operation, the production of iron concentrate is expected to be increased accordingly.

Table 7-3: Average Parameters of Ore Processing

Item	Parameters
Ratio of concentrate over the raw ore	6.66%
Tonnage of ores required to produce one tonne concentrate	15.01
Content of magnetic iron	4.84%
Content of total iron concentrate	61.16%
Content of magnetic iron in tailings	0.63%
Recovery of magnetic iron	84.08%

Table 7-4: Quality of Iron Concentrate

Element	TFe	CaO	MgO	SiO_2	Al_2O_3	S	P
Content (%)	63.61	0.7	0.68	4.66	2.33	0.1	0.17

7.6 Supply of Water, Power and Materials

All waste water from the processing plant was pumped, together with the tailings, into the tailings dam. Production water was taken from wells downstream of the tailings dam and processing plant. This is because no chemicals are being used in the plant. All return water from the tailings dam was gravity-fed directly into the wells. The processing plant re-used this water. Water consumption per tonne of ore is about $10m^3$, of which about 80% comes from recycled water from the tailings dam.

Electric power comes from a 110kV grid system of Beijing-Tianjin-Tangshan network which is 4km from the processing plant. A 6000kVA substation also helps meet production and household power demand. Total installed capacity of the processing plant is 4050kW, and the actual working load is 2460 kW.

This mine is conveniently located with easy access to Chengde and other cities. The supply of mine machinery, fittings, and materials can be ensured. Apart from necessary consumables and easy-worn parts, this processing plant does not store a large amount of materials.

7.7 Process Control

During the site visit, SRK noted that manual monitoring of the process plant was adopted. Samples each from the raw ore, concentrate and tailing were taken in each shift and sent to the laboratory for analysis. Raw ore samples were selected from various mine site locations. The ore samples can be used to quality check the raw ore and to monitor the quality of work performed by contractors.

The processing plant laboratory is relatively simple. It can only analyse iron element while analysis of other elements has to be out-sourced.

7.8 Expansion Potential

The processing plant has a capacity of 1.50Mtpa. It produces 200,000t of iron concentrate with a grade greater than 60%. SRK observed that the actual processing capacity is at 3200t/d, that is, about 960,000tpa given 300 working days per annum. Since the ore has low magnetite content, the daily output of 60% TFe concentrate is about 185t to 235t, suggesting the annual output to be around 65,000t of concentrate. With the remaining ball mills to be in operation and the increased grade of ore underneath to be mined soon, the plant is likely to achieve its targeted production capacity.

There is enough room to install a third production line in the crushing workshop. The other three sets of ball mills in the grinding-magnetic separation workshop can be repaired to reach the designed processing capacity.

A new processing plant is planned on the hillside where the existing processing plant is located. It is designed to produce 0.50Mtpa iron concentrate. Based on existing infrastructure, it is SRK's view that the plan may be feasible, subject to a detailed review.

7.9 Evaluation

7.9.1 Process Technique Evaluation

The ore for Longxin processing plant comes from different mining areas of the same mineralisation belt; and ore from another mining area, Gushan, will be also processed in future. However, SRK hasn't sighted data on ore mineralogy or the processing test data. This processing plant was built using the same technique in the Chengde region. Although the processing technique itself is relatively simple, it is SRK's view that the parameters selection and process control are all important in iron recovery, meaning that detailed test work is needed to maximise the process.

– **Ore crushing**: The sizes of crushed products for the processing plant are slightly large and the so-called two-stage crushing process seems too short. Although the hammer crusher being used is high in crushing ratio, it is seldom used for metallic mines.

– **Grinding-magnetic separation**: Sizes of magnetic iron ore are rough and large, easy to decompose and separate by grinding and the Longxin ore is basically an easy-to-separate ore. The process flow of ore mill and ore classifying in stages for the Longxin processing plant is feasible. However, because there are no tests for specifying the optimum process parameters, such as optimum ore fineness, optimum magnetic field intensity etc, the feasibility of its operation parameters is worth further discussion.

– **Quality of ore concentrate**: The technical methods such as multiple fine separation, magnetic clustering and re-separation, magnetic field sieving etc may be used to improve the quality of iron concentrate. In SRK's view tests to improve the quality of ore concentrate and the technical and economic evaluation should be explored.

– **Technical management**: In general, the technical management needs improvement in relation to recovering useful elements from the ore. The current practice does not have a specialised professional in the processing plant and the site laboratory was over simple.

7.9.2 Recommendation

- It is SRK's opinion that the technique to remove tailings using the dry magnetic method in the crushing workshop needs to be studied and upgraded to effectively reduce the particle size and to maximise early removal of the tailings.

- The mineralogy study and processing test work needs to be conducted in greater detail to determine optimum technique parameters. Feasibility of comprehensive use of titanium and weak magnetic iron in ore also needs to be studied. SRK considers it important to enhance the technical and process control of the processing plant to fully expand production capacity of existing equipment.

- The newly-designed processing plant shall not copy the entire existing process. The company should carry out detailed test work and adopt advanced crushing, milling and processing equipment to minimise the cost in order to enhance technical and economical benefits.

- Increase sampling points for process testing. For the fine crushed raw ore, early-removed waste rock, ball mill feeder, removed tailings after the grinding, feed for rough magnetic separator, and final ore concentrate and total tailings, one sample each shall be arranged. Meanwhile, concentration and fineness of ore from the two-stage mill must be tested.

8 OCCUPATIONAL HEALTH AND SAFETY

8.1 Safety Procedures and Training

8.1.1 Safety Procedures

Beipuzi Mine has a safety division with seven full-time employees to look after safety issues in mine site. An annual review of safety responsibilities is conducted.

Before the start of each shift workers hold safety meetings of about 10 minutes duration with the previous shift workers in their work area. The previous shift workers are required to report orally to advise the incoming shift about prevailing work conditions.

Each workshop holds a weekly safety meeting to address safety issues. After any serious accident the workshop director is required to complete additional safety training.

During site visits, SRK noted that personal protective equipment (PPE) was provided to employees. However, SRK notes that improved use of PPE and other strategies can be employed to reduce health and safety risks to the workforce. Accordingly, the company has indicated a desire and intention to improve employees' appropriate use of PPE.

8.1.2 Safety Training

Safety training for new employees is provided as follows:

1. Recruitment training is conducted at three levels, team level, workshop level and mine level.

2. Forty hours of safety training, including an introduction to relevant regulations and general safety awareness training, is compulsory.

3. Every month safety re-training of one half day is required for all employees.

4. Every year safety re-training of 20 hours is required for all employees.

Employees with roles which require certification or licensing (e.g. the use of explosives) are trained by the relevant statutory authority. Such training could extend over five days per annum and includes skills testing before a certificate or licence is issued.

8.2 Historical Safety Records

The Beipuzi Mine site, including the mine, concentrator and support facilities has achieved the accident statistics as shown in Table 8-1. SRK notes only one serious injury and a few minor injuries over the last few years indicating a good safety record.

Table 8-1: Beipuzi Mine Accident Statistics, 2004 to 31 August 2007

	2004		**2005**		**2006**		**To 31 Aug 2007**	
	E	C	E	C	E	C	E	C
Minor	1	0	2	0	4	0	1	0
Serious	0	0	0	0	0	0	1	0
Fatal	0	0	0	0	0	0	0	0
Total	**1**	**0**	**2**	**0**	**4**	**0**	**2**	**0**

E = Employees, C = Contractors

SRK considers the above accident statistics show that the company is committed to safety training and monitoring and providing safety equipment. The statistics compare well with other mining companies in China.

8.3 Workforce Turnover

Workforce numbers were 256 at 6 December 2007 of which 130 were in the mining section including 40 mining contractors from Wenzhou Dongda Mine Construction Engineering Company Limited and 126 for processing. Staff turnover is very low at less than 5%. The company indicated that here have been no problems with sourcing skilled workers.

Several of the company's technical management staff have worked at Beipuzi Mine over a few years and have a thorough knowledge of the mine's geology and mining conditions.

9 OPERATING AND CAPITAL COSTS

9.1 Operating Costs

9.1.1 Historical and Forecasting Operating Costs

Major cost inputs to the project are electricity, salaries and water. The company's average electricity cost was 0.47RMB/kWhr; the total water cost for the last year was around 100,000 RMB that is equivalent to a unit cost of 0.12RMB/m^3; and the average diesel cost is 4.76RMB/litre.

The summary of average salary for workers is presented in the Table 9-1.

Table 9-1: Summary of Various Salaries (RMB/month)

Underground Miners	Ore-Processing Workers	Maintenance Workers	Workshop Directors	Managerial Staff
1,300	800	1,400	1,500	5,000

Based on discussions with mine staff, it is understood that 1t of iron concentrate is produced from 7t to 8t of ore. However, SRK noticed that the actual number could be higher indicating that either the TFe grade in the raw ore is lower than what was reported or the recovery of the processing plant is not as efficient as initially indicated. The detailed cost is presented in Table 9-2, showing the total cost is 285RMB to produce 1t of iron concentrate.

Table 9-2: Cost to Produce One Tonne of Iron Concentrate (RMB/t)

Items	**Unit Cost** *(RMB/t)*
Mining cost including diesel, explosives, etc	80
Ore processing	40
Electricity	62
Salary	11
Admin & depreciation	74
Resource Levy	18
Total	285

9.2 Capital Costs

The expansion on the 3rd production line started in late October 2007 and was expected to be complete by the end of December 2007. The capital cost is expected to be around 4 million RMB.

A new processing plant with a capacity to produce 500,000t of iron concentrate per annum is planned with an estimated cost of 90 million RMB. The detailed budget is presented in Table 9-3. Expansion to build the new processing plant is expected to start in March 2008 and to complete in December 2008.

SRK is of the opinion that capital expenditure is likely to achieve the company's aims and result in the forecast production for the mine and concentrator at Beipuzi mine.

9.2.1 Expansion Capital

The budget for this new processing plant is presented in Table 9-3.

Table 9-3: Summary of Capital Expenditure (in M RMB)

Items	**Unit** *(in M RMB)*
Land purchase and approval fees	5
Civil engineering for the processing plant	20
Equipment for the processing plant	55
Working capital	10
Total	90

Once the new processing plant is built, prediction of profit (Table 9-4), where predicted annual sales will be 472.5M RMB.

Table 9-4: Prediction of Profit after the 500kt/a Processing Plant Built

Items	**Units Cost** *(RMB/t)*	**Total Tonnes**	**Total Fees** *(M RMB)*
Sales Income	945		472.500
Production Cost	273	5000,000	(136.500)
Resource Tax & Business Tax	60		(30.000)
Value Added Tax	97		(48.500)
Profit before Tax			257.500

It should be pointed out that the unit cost for the resource tax and business tax of 60 RMB/t was provided by the company which had not been either checked or verified by the independent tax experts yet. Based on the above data, the company indicates that return of investment will be around 15 months with an annual return rate of 214.6%. Again this needs to be reviewed and verified by an independent tax expert. It is SRK's view that this prediction may be optimistic; as production costs will inevitably increase over the years and sales input may not be sustainable. In the same time, there are many other factors at play all of which increase the uncertainty.

9.2.2 Sustaining Capital

International practise suggests that sustaining capital cost for a project will require in the range of 3%–5% per annum of initial capital expenditure. Therefore in the case of Beipuzi, it is likely that sustaining capital requirements will be 2.70 M RBM to 4.50 M RMB for the processing plant.

10 INFRASTRUCTURE

10.1 Road Access

Access to the region is convenient. The mine site is about 43 km from Chengde city, with 35 km on the No. 101 national highway and another 8 km of concrete and paved country road. Chengde is about three hours drive from Beijing.

10.2 Electrical Power Supply

Beipuzi mine is connected to the national electrical power grid which has capacity for both the current production rate and future expansion of the processing plant. A substation near the mine site has a capacity of 4050kVA while the actual usage is about 2460kVA. The existing transmission lines and transformers also have sufficient capacity for the proposed expansion.

At the moment, the existing processing plant consumes 50,000kw of electricity per day.

10.3 Water Supply

The water supply is primarily from underground water. The processing plant and mine consume around 2,880 m^3 of water daily, where one half comes from recycled water.

10.4 Accommodation

At the time of site visit, SRK was informed that about 50 employees from the processing plant live in a dormitory next to the processing plant and 30 employees live on the mine site.

Most employees do not live on the mine site. The mine site has built some houses to accommodate employees and these can meet current demand. The mine is committed to build more houses if necessary.

10.5 Workshops and Repair Facilities

Beipuzi Mine has substantial repair and maintenance workshops. In general the mine site maintenance worker will conduct routine repairs and maintenance on large equipment. The supplier attends only to fix problem if they arise during maintenance.

The company has constructed a number of workshops, maintains considerable stores of spares and production reagents and employs a number of tradesmen who are trained in repair and maintenance of equipment on site.

11 ENVIRONMENTAL ASSESSMENT

11.1 Environmental Review Objective

The objective of this environmental review is to:

- Identify and/or verify existing environmental liabilities and risks of the Longxin Iron mine, Beipuzi Village, Longhua County, Hebei, China.

- Where appropriate, make comment and provide advice on potential prevention, management and remediation measures for identified existing environmental liabilities.

11.2 Environmental Review Scope and Standards

Environmental conformance for the Longxin operation was determined by reviewing the project's environmental management performance against:

- Chinese national environmental regulatory requirements.

- World Bank/International Finance Corporation (IFC) environmental standards and guidelines.

- Internationally-recognised environmental management practices.

11.3 Methodology

The methodology applied for this environmental review of the Longxin Iron Ore Expansion Project comprised a combination of document review, site visit and interviews with company technical representatives. The site visit was undertaken from the 19th to the 21st of September 2007.

11.4 Summary of Environmental Aspects and Management

The Longxin iron mine possesses the necessary Mining Licence, Land Use Permit and EIA approvals for operation. Conditions of operation stated in government approval documents, while comparable to international standards of operation, do not address issues such as waste oils, hydrocarbon storage and waste rock. Environmental, cleaner production, energy efficiency and pollution prevention requirements of the Chinese Government's "Green Development" policies and directives have been considered in project design.

The environmental technical review identified numerous environmental issues and problems with the current Longxin project. The project needs to follow strictly conditions for operation as stated in government approvals. The operation also needs to improve its compliance with Chinese environmental laws and regulatory requirements for environmental protection, particularly relates to water control, monitoring and management measures at the site as well as erosion control measures as stated in project approval documents.

The environmental technical review identified the following as the most significant potential environmental management liabilities relating to operation and development of the Longxin project:

- Surface water management and discharges (i.e. stormwater runoff).
- Groundwater management and discharges (i.e. seepage from temporary TSF).
- Rehabilitation of TSF, waste rock stockpiles and other disturbed areas.
- Storage and handling of hazardous materials.
- Waste generation and management (industrial and domestic wastes).
- No characterisation of process waste materials (tailings).
- No monitoring of waste water discharges.
- Potential contaminated sites.
- Lack of a structured closure planning process.
- Lack of erosion control measures.

Of the above items, the most significant environmental risks for the Longxin Project are associated with storage and handling of hazardous materials/wastes (i.e. fuels, process slags). In addition, potential for generating contaminated sites and operational closure liabilities through management of waste rock, hazardous materials and general waste present high environmental risks. In particular, the Longxin operations have no structured process in place to undertake contaminated site assessment and broader closure planning. There is no monitoring of discharges or environmental quality of the receiving waters. The lack of characterisation of process wastes and the potential for acid rock drainage and metal leaching may also be of concern.

Appendix 6 summarises the environmental legislative background. The following sections summarise compliance requirements, and associated environmental management strategies for the above significant environmental aspects.

11.5 Project Environmental Impact Assessment and Approvals

The Longxin operates under Mining Licence No. 1308000520160, which covers approximately 4.046 km^2 in the jurisdiction of Zhongguan town, Longhua County, Chengde, Hebei, PRC. This permit was granted to the Chengde Jianfeng Group Longhua Longxin Mining Co. Ltd., by the Chengde Land and Resources Bureau, on the 15th of July 2004. Longxin has stated that there are no environmental non-compliances and/or regulatory penalties issued against the above Mining Licence.

The Longxin EIA was completed by Chengde City Environmental Protection Research Institute Co. Ltd. in January, 2004, and subsequently approved for construction by the Environment Protection Bureau of Chengde City (Cheng Shi Huan Bao [2004] No. 008) on the 15th of January, 2004. Key approval conditions relate to the project being constructed as per location, nature, scale, construction mode and environmental protection measures stipulated in the EIA. The project must follow the principle of implementing environmental protection measures concurrently with project construction and operation.

The main environmental requirements of the Longxin EIA are as follows; the client shall comply with the design of location and building of the TSF. All preventive safety measures specified in the assessment report of the project's current safety situation shall be seriously carried out one by one. All environment control measures, water and soil conserving measurements and preventive safety measures shall be simultaneously designed, implemented and put in operation with the main works. The settling tank shall be cleaned regularly to avoid accidental discharge. The free stockpiling and disposal of waste ore are forbidden, and rehabilitation of the mine area's vegetative landscape and processing plant shall be properly carried out along with a greening program to build a beautiful working environment.

11.6 Land Disturbance and Rehabilitation

The Longxin EIA Report states that the total area of disturbance for the project is 68,000 m^2, including 653,000 m^2 of area covered by ore processing plant, and 60,000 m^2 of area covered by the TSF. The floor space of ore processing plant is 3000 m^2, including 200 m^2 of office and house for testing, 2800 m^2 of workshop and other auxiliary floor area, and 1500 m^2 of area covered by road.

The stipulation for an Environmental Management and Monitoring Plan (EMMP) detailed within the EIA report specifies that progressive reclamation should be implemented, including during project construction. The EIA outlines the basics for this rehabilitation work. No documented EMMP was sighted as part of this review, particularly, measures for developing diversion drains around roads, the TSF and the processing plant was lacking. Some trees had been planted at places around the processing plant, TSF and roads.

11.7 Waste Rock and Tailings Management

No tonnage and/or volume of waste rock generated by the Longxin operation were provided as part of this review. However, Longxin stated that the volume of waste rock generated is negligible and therefore no waste rock dump was necessary, with some waste rock being used for road construction and the rest being piled ad-hoc around the mine site. The project EIA states waste rock produced per annum is estimated at 4000t and would be transported and piled in the TSF with the tailings slurry. This was not evidenced during SRK's site investigation.

There has been no geochemical characterisation (including assessing the potential for acid generation) of these waste rocks generated by the mining works. There has also been no provision made for the separate stockpiling of soil overburden that could be used in later site rehabilitation.

The Longxin EIA Report states that the annual production of tailings from the processing plant (i.e. based on the plant design capacity) would be about 996,000t. These tailings are to be discharged into a purpose-built TSF. The TSF is situated just to the east, over a hill from the processing plant. The TSF according to the Longxin EIA shall be strictly constructed according to the standard ZBJ1-90 "Design Specifications of Ore Processing plant Tailing Facilities" and corresponding specifications and standards. The site selection of the TSF and environmental protection requirements of the design shall be carried out strictly according to the standard GBI8599-2001 "*Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes*".

11.8 Groundwater and Surface Water

Atmospheric precipitation and runoff have been identified as the main source of groundwater supply. No other hydrological information on aquifer flows and depths has been provided for review. The Longxin operation's influence on groundwater is stated in the EIA to be negligible due the small amount of water expected to infiltrate and the lack of chemical pollutant loadings expected in wastewaters. No information was provided to review the quality of groundwater for the project site. The Beipuzi Village, just to the north of the TSF and processing plant, is reported to source water from the local aquifer.

The EIA stipulates that surface water quality and soil erosion should be monitored regularly and results submitted to local environmental protection authorities. Longxin has not provided any monitoring data/information for review on the quality of surface water or impacts of erosion for the project site. This is not in compliance with the EIA approval conditions or Chinese legislation.

Wastewater draining from the processing plant empties into a settling pond, which is supposed to be cleaned out every three months and the sediment put back through the processing plant. Below the sedimentation pond is a discharge drain leading to the Yingwu River. This drain was clogged with sediment and a large beach of tails had overflowed the drain and another formed at the discharge point. SRK recommends action be taken to rectify the situation and maintain the sedimentation pond and drain to the proper working conditions.

According to the EIA, all surface workings should employ diversion drainage systems to control surface water to reduce erosion and impacts upon water quality. Approval conditions for the Longxin operation stipulates these surface water management measures are to be implemented at the same time as surface workings are developed. As yet, no diversion drains had been constructed at the open pit sites and roads, which is non-compliant with project approval conditions. The open pit sites especially are prone to erosion as workings are bare and loose soil is exposed and piled at random around the site. SRK recommends soil stripped as overburden be stockpiled in a suitable place (with diversion drains) for later use in rehabilitating the site and control measures be introduced for the open pits and work/haul roads. The TSF had diversion drains constructed, but they are outdated as they are discharging inside the TSF itself, resulting in seepage through the dam wall. SRK recommends these drains be upgraded to ensure surface water diversion from the TSF. The processing plant incorporated a reasonable system of drainage around the plant to divert surface water and collect drainage water from the plant operations.

The Longxin EIA states process water will be treated after use and then reused (up to 90% according to EIA estimate) within the processing plant to reduce wastewater discharges to the environment and possible pollution impacts to outside water bodies. Daily wastewater generated through ore processing is estimated at 20,000t/d. This is in accordance with international best practices and national Chinese policy directives regarding the use, reuse and conservation of water resources. During

SRK's site investigation recycling of this water from the TSF was not observed and water was being discharged through the decant. While 90% process water reuse target is comparable with international industry standards, operation discharge of process/tailings water from the TSF is not. A decant should operate to manage stormwater discharges not process water.

11.9 Hazardous Materials

The hazardous materials that will be utilised within the Longxin operation comprise diesel and oils for mobile plant and explosives.

The Longxin EIA report contains no mention of practices in relation to environmental control and management of the above stated hazardous materials. In practice, oil (diesel and motor) stored on site was seen to have no secondary containment at the time of the site investigation. Storage of hydrocarbons is presently within a small shed beside the office/residential building. The storage and handling of hydrocarbons within the Longxin projects does not conform to international industry standards (e.g. Australian Standard *AS1940-2004: The storage and handling of flammable and combustible liquids*).

11.10 Air Emissions

11.10.1 Dust Generation

The main dust generation sources come from mining, transportation and processing activities. The Longxin EIA states that pollution prevention/ control measures are to be implemented alongside project development (including dust suppression). The EIA states that dust generated from sources (facilities, roads, processing plant) will be controlled mainly by spraying water. This was not evident when SRK conducted the site investigation.

Dust generated by ore processing at the processing plant is stated by the EIA to have a relatively benign environmental influence on the surrounding area due to the plant being enclosed and mountains blocking surrounding residential areas (closest, 300 m to Beipu Village) and agricultural areas.

11.10.2 Gas Emissions

The primary source of gas emissions for the Longxin operation comes from machinery and vehicles. The EIA states the amount of gases produced are negligible due to the benefication process involving no boilers and kilns for example, and power being supplied from the local grid. Therefore the amount of atmospheric pollution will be below appropriate standards. No measure of actual emission levels and concentrations though has been stated to have been undertaken.

11.10.3 Greenhouse Gas Emissions

There is no Chinese national legislative requirement for the project to estimate its Greenhouse Gas emissions or to implement emission reductions. As such, none of the project environmental assessment documentation reviewed addressed the issue of Greenhouse Gas emissions. However, energy efficiency and the reduction of Greenhouse Gas emissions are now considered as Chinese national policy directives. In addition, these are also components of IFC environmental requirements and are considered as internationally-recognised environmental management practices. Therefore, initiatives to account for such emissions would be beneficial to the operation.

11.11 Waste Management

11.11.1 Waste Oil

Waste oil is generated through maintenance of mobile and fixed plants. No designated waste oil collection and management facilities were observed during the site investigation and management of waste oil is not addressed within the reviewed project environmental assessment and approval documentation. The client stated waste oil is collected once a month and sold to a recycler; they were not able to provide a record for these transactions and waste oil was seen dumped within the vehicle maintenance compound.

It is worth noting the IFC requirements and internationally-recognised environmental management practice with regards to waste oil are to explore commercial alternatives for environmentally sound disposal, recycling or reuse. The management of waste oil is not addressed within the project EIA report or sil and water conservation plan, which does not fulfil these requirements.

11.11.2 Solid Wastes

The Longxin EIA states domestic garbage is regularly disposed of in the council landfill for burial. This was not observed as part of SRK's site investigation, nor was a temporary storage site. Domestic refuse was not observed to be a problem onsite, although scrap metal was evident as being dumped ad-hoc in places.

The volume of solid wastes produced in the form of tailings is stated as 996,000t/yr. Evident from the site investigation was that a large seep was flowing through the TSF, which appeared to be fed by the old diversion drain which now discharges within the TSF itself. While the tailings are expected to be relatively free from pollutants, there has been no characterisation of the tailings' chemical composition. There could be unforeseen risks/liabilities arising from possible pollutants being discharged, as the stream below runs through the local village.

11.11.3 Sewage and Oily Waste Water

According to the Longxin EIA, the daily discharge capacity of domestic wastewater is calculated at 3t/d. In section 2.4.2 Wastewater, of the project EIA, it states toilets will be dry toilets and compost produced will be used for greening around the site and no wastewater shall be produced. In section 5.4.2, the EIA states sewage wastewater will be used for greening and sprinkling for dust suppression. What was observed at site is an evaporation/settling pond to the south of the office buildings which discharges wastewater to the Yingwu River after treatment. There is a monitoring site at this discharge point and another downstream, but no monitoring data has been provided by Longxin for review.

The management of oily wastewater/wash-down wastewater is not addressed in the Longxin EIA report. Washing of mobile equipment occurs without any containment or collection measures. Drainage from the processing plant, while contained by drains and sedimentation ponds, discharges into the Yingwu River at the same point as the sewage discharge. Again, no monitoring data for these discharges has been provided for review. Untreated discharge of oily wastewater/wash-down wastewater is not in line with international industry standards and practices.

11.12 Noise

Noise from mine equipment mainly comes from diesel air compressors, rock drills and explosive operations and vehicles during loading/unloading and transporting of ore. Noise from the ore- processing plant equipment is mainly derived from the crusher, mills and other processing facilities. The Longxin EIA predicts that after enclosure of the processing plant and use of noise reducing equipment, the noise level will comply with the Class II daytime Standard of the "*Standard of Environmental Noise of Urban Area*" (GB3096-93) and the class II Standard of the "*Standard of noise at boundary of Industrial Enterprise*" (GB12348-90).

11.13 Contaminated Sites Assessment

There is no documented contaminated sites assessment process for the Longxin operation. It was observed during the site investigation what appeared to be already contaminated sites around mine working and equipment storage areas, vehicle maintenance areas and along the processing plant collection drain discharge site. Oily wastewater and washdown from the processing plant being inadequately contained was also evident. Concentrate storage areas were also inadequately contained and could easily be washed around the site. As there has been no characterisation of tailings or other elements present in the concentrate, the potential for these sites to be contaminated is not known, but in SRK's opinion it is high.

SRK recommends upgrading berms around storage sites for concentrates, oils and wastes. Remedial action is needed to rectify the situation with the processing plant collection drains, sedimentation ponds and discharge point where a beach of tails has been deposited. A contaminated sites assessment should also be conducted for suspect areas and an assessment process implemented for continued management.

11.14 Evaluation of Environmental Risks

The sources of inherent environmental risk for the Longxin operation are project activities that may result in potential undesirable events/environmental impacts. These activities have been previously described within this report. In summary they are as follows:

- Surface water management and discharges (i.e. stormwater runoff).
- Groundwater management and discharges (i.e. seepage from temporary TSF).
- Rehabilitation of TSF, waste rock stockpiles and other disturbed areas.
- Storage and handling of hazardous materials.
- Waste generation and management (industrial and domestic wastes).
- No characterisation of process waste materials (tailings).
- Potential contaminated sites.
- Lack of a structured closure planning process.
- Lack of erosion control measures.

Of the above items, the most significant environmental risks for the Longxin operation are associated with storage and handling of hazardous materials/wastes including fuels and process slags. In addition, the potential for generating contaminated sites and operational closure liabilities through management of waste rock, hazardous materials and general waste presents high environmental risks. In particular, the Longxin operations have no structured process for undertaking contaminated sites assessment and for broader closure planning.

Generally all the above high environmental risks may be reduced by applying appropriate remedial/risk management measures; including implementing a comprehensive and appropriately resourced operational environmental monitoring and management plan (i.e. fully implement and update plans documented as part of the project EIA process).

11.15 Site Closure Planning

A component of World Bank/IFC and internationally-recognised environmental standards and practices, is that a site closure planning process be developed and implemented, and that an operational closure plan is documented to guide this process. This closure planning process should include the following components:

- Identify all site closure stakeholders (e.g. government, employees, community.).
- Undertake stakeholder consultation to develop agreed site closure criteria and post operational land use.
- Maintain records of stakeholder consultation.
- Establish a site rehabilitation objective in line with the agreed post operational land use.
- Describe/define the site closure liabilities (i.e. determined against agreed closure criteria).
- Establish site closure management strategies and cost estimates (i.e. to address/reduce site closure liabilities).
- Establish a financial accrual process for site closure.
- Describe the post-site closure monitoring activities/program (i.e. to demonstrate compliance with the rehabilitation objective/closure criteria).

The Longxin operation does not have in place a closure planning process in line with the above components. The project EIA outlines requirements for rehabilitation of the TSF, which consists of covering with soil and revegetating. For the processing plant, it is stated that about 2,000 m^2 of vegetation will be planted, but no other information on closure requirements is mentioned.

11.16 Site Rehabilitation and Closure Cost Estimates

There have been no site rehabilitation and closure cost estimates completed for the Longxin operation.

Indicative site closure costs can be developed as a component of a preliminary site closure plan (i.e. the site's closure criteria and associated closure liabilities will be determined as part of this process). This process will determine, through stakeholder consultation, the site's closure criteria and associated closure liabilities. It can be assumed that the decommissioning costs of the site infrastructure may be off-set through either the sale or redeployment of assets. Indicative site rehabilitation and closure measures can then be developed along with cost estimates for their implementation.

11.17 Conclusion

The most significant potential environmental management liabilities relating to the operation and development of the current Longxin operation are:

- Surface water management and discharges (i.e. stormwater runoff).
- Groundwater management and discharges (i.e. seepage from temporary TSF).
- Rehabilitation of TSF, waste rock stockpiles and other disturbed areas.
- Storage and handling of hazardous materials.
- Waste generation and management (industrial and domestic wastes).
- No characterisation of process waste materials (tailings).
- Potential contaminated sites.
- Lack of a structured closure planning process.
- Lack of erosion control measures.

Of these, it is considered that storage and handling of hazardous materials/ wastes including fuels and process slags present the highest current environmental risks. In addition, the potential for generating contaminated sites and significant closure liabilities through poor management of waste rock stockpiles, hazardous materials and general waste present high environmental risks. The absence of a structured process for the Longxin operation to undertake contaminated site assessments and for broader operational closure planning is of concern.

It is recommended that comprehensive operational environmental monitoring and management plans for each project be developed and implemented as per the project EIA stipulations to address identified environmental risks. These plans should be appropriately resourced and their implementation documented. In particular, consideration should be given to implementing the following environmental management measures:

- Water monitoring and management program focusing on mining, waste rock stockpiles and TSF facilities.

- Upgrade storage and handling of hydrocarbons and chemicals as per design (i.e. properly designed and managed secondary containment storage facilities).

- Undertake contaminated sites assessment for areas with potential for contamination (e.g. uncontained hydrocarbon/chemical storage areas).

- Develop a site closure planning process that identifies and quantifies potential closure liabilities (e.g. contaminated areas), and implements remediation measures for these liabilities.

- Rectify and maintain the processing plant wastewater drain and sedimentation pond to ensure proper working conditions.

- Stockpile soil stripped as overburden (in piles less than two metres in height) in a suitable place (with diversion drains) for later use in rehabilitating the site.

- Construct diversion drains at open pit sites and roads.

- Upgrade diversion drains around the TSF to ensure adequate diversion of surface water flows.

12 MAJOR CONTRACTS AND AGREEMENTS

12.1 Mining Contracts

Longxin has signed mining contracts for Beipuzi Mine (total of 7 mining faces) as:

- Open Pit No. 1: with Liu Qin and Wang Zhongguo;

- Open Pit No. 2: with Zhou Rui, Lei Suyan, Liu Qingzhong, Liu Xianbo and Wenzhou Zhongda Mine Construction Engineering Company Limited

The contract also has the ability to add other duties as required. The duties to be performed and the quality of work are specified in the contract. Clauses included in the contract indicate the penalties which will apply if production quantities or qualities do not meet contract requirements.

12.2 Supply Contracts

Supplies of consumable materials such as diesel fuel and reagents for processing plant are generally purchased at market prices on short-term contracts with a term of less than 12 months.

12.3 Labour Relations

Most of the workforce is employed on one-year contracts, which require a renegotiation at the end of the term.

As described above, the mining workforce is employed on contract terms and labour relations have been reliable.

13 SOCIAL ASSESSMENT

13.1 Social and Community Interaction

Most local residents living near the Longxin operation depend on agriculture as the main source of employment. Their main products are rice, seed, cattle, fruit, tea, vegetables and forestry products. Farming is their primary form of business and their lifestyle is unsophisticated and they live in good social security conditions. A social assessment of residents surrounding the project before construction revealed large community support for the project. With little previous industry developed in the area, locals felt the project would be advantageous to the area's development. Positive effects to the surrounding local communities are mainly direct employment of local contractors and use of local suppliers/service providers where practical.

No records of public complaints in relation to the activities of Longxin operation were sighted as part of this review.

13.1.1 Cultural Minorities and Heritage

There are no scenic spots, historical sites or minority groups reported around the Longxin operation site. No records of cultural heritage sites located within or near the project area, were sighted as part of this review.

13.2 Relationship with Local Government

The Longxin operation has a close relationship with the Longhua County Government, evidenced by the following:

- Electrical power for the site is sourced from the local county grid.
- Rubbish is collected by the local government for disposal.
- Longhua County's directive to develop and make use of low-grade iron ore is prevalent in the area.
- Verbal statement from Longxin.

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4 Chengde City Environmental Protection Science Research Institute, *Environmental impact assessment report on the 1.2mt/a ore processing plant project of Chengde Jianfeng Group Longhua County Longxin Mining Co., Ltd,* January 2004

5 Chengde Environmental Protection Bureau, *Approval on the "Environmental impact assessment report on the installation of the environmental facilities for the 1.2mt/a ore processing plant project of Chengde Jianfeng Group Longhua County Longxin Mining Co., Ltd"* [2004] 008

6 Tailings Dam for the Processing Plant of Beipuzi Iron Mine, Chengde Huatai Design Co. Ltd., January 2004.

APPENDIX 1 – ABBREVIATIONS AND TECHNICAL TERMS

%	Percent
/	Per, as in hours per day (hr/d)
º	Degrees, either of temperature or angle of inclination
3D	three dimensional
4D	four dimensional
A$ or AUD	Australian Dollars
Ag	The chemical symbol for silver
ANCOLD	Australian National Committee on Large Dams
ANFO	Ammonium Nitrate Fuel-Oil
AusIMM	Australasian Institute of Mining and Metallurgy
Bcm	Bank cubic metres, a measure of the *in-situ* volume of soil
BFS	"Bankable" Feasibility Study
Cu	The chemical symbol for copper
dB	Decibels, a measure of the loudness of sound
E	East
EAP	Environmental Action Plan
EIA	Environmental Impact Assessment
EL's	Exploration Licences
ESIA	Environmental and Social Impact Assessment
G	Gravity, also means gram/s
g/t	gram per tonne
Ha	Hectares
Hg	The chemical symbol for Mercury

HQ core	core diameter of 63.5mm
HSE	health, safety and environment
IP (Induced Polarisation)	An exploration technique whereby an electrical current is pulsed through the ground and the response from the sub-surface measured in order to identify minerals of interest. Strong IP responses may be a result of sulphide which may be associated with gold mineralisation
JORC Code	Joint Ore Reserves Committee Code
JORC Committee	Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
JV	Joint Venture
K	The chemical symbol for potassium
Kg	kilogram, equivalent to 1,000 grams
km	kilometres, equivalent to 1,000 metres
km^2	square kilometres
kPa	Kilo Pascals, equivalent to 1,000 Pascals
kV	kilovolts – equivalent 1,000 volts
kW	Kilowatt, equivalent to 1,000 watt
L	litres
l/s	litres per second
Late Triassic	a time period of approximately 18 million years from 228 million to 210 million years ago
LHD	Load-haul-dump, a type of front-end-loader used in underground mines
LOM	Life of Mine
m	metre/s
M	Million
m^3	cubic metres

mg/l	milligrams per litre
mg/m^3	milligrams per cubic metre
Micron	1/1,000 of a millimetre
Middle Triassic	a time period of approximately 14 million years from 242 million to 228 million years ago mm millimetre/s
mm	millimetre/s
Moz	Million ounce/s
mRL	metres reduced level, a vertical distance above or below a set datum
Mt	Million tonne/s
Mtpa	Million tonnes per annum
MW	Megawatt, equivalent to 1,000,000 watts
N	North, also the chemical symbol for Nitrogen
NQ size core	47.6mm diameter, approximately 70% of the core taken
Oz	troy ounce, equivalent to 31.1035 grams
P	The chemical symbol for phosphorous
Pa	Pascal, a measure of pressure, equivalent to approximately 9.87 atmospheres
pH	A measure of the acidity or alkalinity of a solution, numerically equal to 7 for neutral solutions, increasing with increasing alkalinity and decreasing with increasing acidity. The pH scale commonly in use ranges from 0 to 14
PPE	personal protective equipment
Ppm	parts per million, equivalent to grams per tonne (g/t)
PQ size core	85mm diameter
PRC	People's Republic of China
Q	quality value
RC (Reverse Circulation)	A percussion-drilling technique in which the cuttings are recovered

RL	See mRL
ROM	Run of Mine
RQD	Rock Quality Designation, a measure of the number of breaks in a drill core of rock
S	South, also the chemical symbol for sulphur
SAG	Semi-Autogenous Grinding – a technique for grinding ore prior to processing
Sb	The chemical symbol for Antimony
Silurian	A time period, approximately 440 million to 410 million years ago
SO_4	Sulphate
SO_4^{2-}	sulphuric acid
SRK	Steffen Robertson and Kirsten (Australasia) Pty Ltd trading as SRK Consulting
T	Tonne
TDS	Total Dissolved Solid
the Company	Longhua Longxin Mining Company Limited of Chengde Jianfeng Mining Group
the Stock Exchange	The Stock Exchange of Hong Kong Limited
Tpa	tonnes per annum
Triassic	A time period, approximately 250 million to 210 million years ago
TSF	Tailings Storage Facility
Valmin Code	Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
W	West
w/w	weight/weight
WAD	Weak Acid Dissociable

APPENDIX 2 – BEIPUZI MINING LICENCE

中华人民共和国

采 矿 许 可 证

（副本）

证号： 1308000520160

采矿权人： 承德剑峰矿业集团隆化隆鑫矿业有限公司

地　　址： 承德市隆化县中关镇北堡子村

矿山名称： 承德剑峰矿业集团隆化隆鑫矿业有限公司北堡子铁矿

经济类型： 有限责任公司

开采矿种： 铁矿

开采方式： 露天开采

生产规模： 6.00万吨/年

矿区面积： 0.4225平方公里

有效期限： 叁年　自2005年8月 至2008年8月

发证机关

（采矿登记专用章）

二〇〇五年八月二十六日

中华人民共和国国土资源部印制

矿区范围拐点坐标：

点号 X坐标 Y坐标

一采区

1, 4569830.00, 39583405.00

2, 4569000.00, 39583760.00

3, 4568770.00, 39583210.00

4, 4569250.00, 39583350.00

5, 4569585.00, 39583310.00

标高：从700米至600米

二采区

6, 4568200.00, 39582800.00

7, 4568200.00, 39583200.00

8, 4567800.00, 39583200.00

9, 4567800.00, 39582800.00

标高：从700米至600米

2006

开采深度： 由700米至600米标高　共有9个拐点圈定

隆化县国土资源局
关于承德剑峰矿业集团隆化隆鑫铁矿
办理变更延续登记手续的情况说明

隆国土资采矿（2004）5号

市国土资源局：

隆化县中关镇中兴矿业服务站自开办矿山以来，均由矿山企业出资，使用一个营业执照，将镇域内采矿许可证全部登记在隆化县中关镇中兴矿业服务站名下，矿山企业独立经营。隆化县中关镇中兴矿业服务站北堡子铁矿于2001年8月办理了采矿许可证，有效期到2005年8月。该矿经承德市三原地质矿产有限责任公司作《河北省承德剑峰矿业集团隆化隆鑫铁矿矿产储量核实报告》，求得该区保有122b级资源量8420千吨，平均品位TFe21.59%；333级资源量2440.4千吨，平均品位TFe21.01%。该矿现作如下变更：

1.采矿权人：由隆化县中关镇中兴矿业服务站变更为承德剑峰矿业集团隆化隆鑫矿业有限公司。

2.矿山名称：由隆化县中关镇中兴矿业服务站北堡子铁矿变更为承德剑峰矿业集团隆化隆鑫矿业有限公司北堡子铁矿。

3.经济类型：由集体变更为有限责任。

4.开采方式：由地下开采变更为露天开采。

5.矿区范围：

（1） 原矿区范围拐点坐标为：

一采区			二采区		
拐点号	X	Y	拐点号	X	Y
1	4569380	39583405	6	4568200	39582800
2	4569000	39583760	7	4568200	39583200
3	4569770	39583210	8	4567800	39583200
4	4569250	39583350	9	4567800	39582800
5	4569585	39583310			

开采深度由700米至600米标高。

原矿区总面积为0.42 km^2

（2） 扩界后矿区范围拐点坐标为：

一采区			二采区		
拐点号	X	Y	拐点号	X	Y
1	4570440	39582545	9	4568370	39580220
2	4570200	39583590	10	4568370	39581380
3	4569760	39583950	11	4569450	39582260
4	4569000	39583760	12	4568490	39582580
5	4568770	39583210	13	4567570	39581320
6	4569250	39583350	14	4568230	39580170
7	4569590	39583170			
8	4569760	39582360			
三采区			四采区		
15	4567800	39579730	20	4568200	39582800
16	4567690	39580160	21	4568210	39583610
17	4567400	39580240	22	4567640	39583380
18	4567000	39580170	23	4567300	39583450
19	4567120	39579910	24	4567300	39582650
			25	4567600	39582420

开采深度由 730 米至 550 米标高。

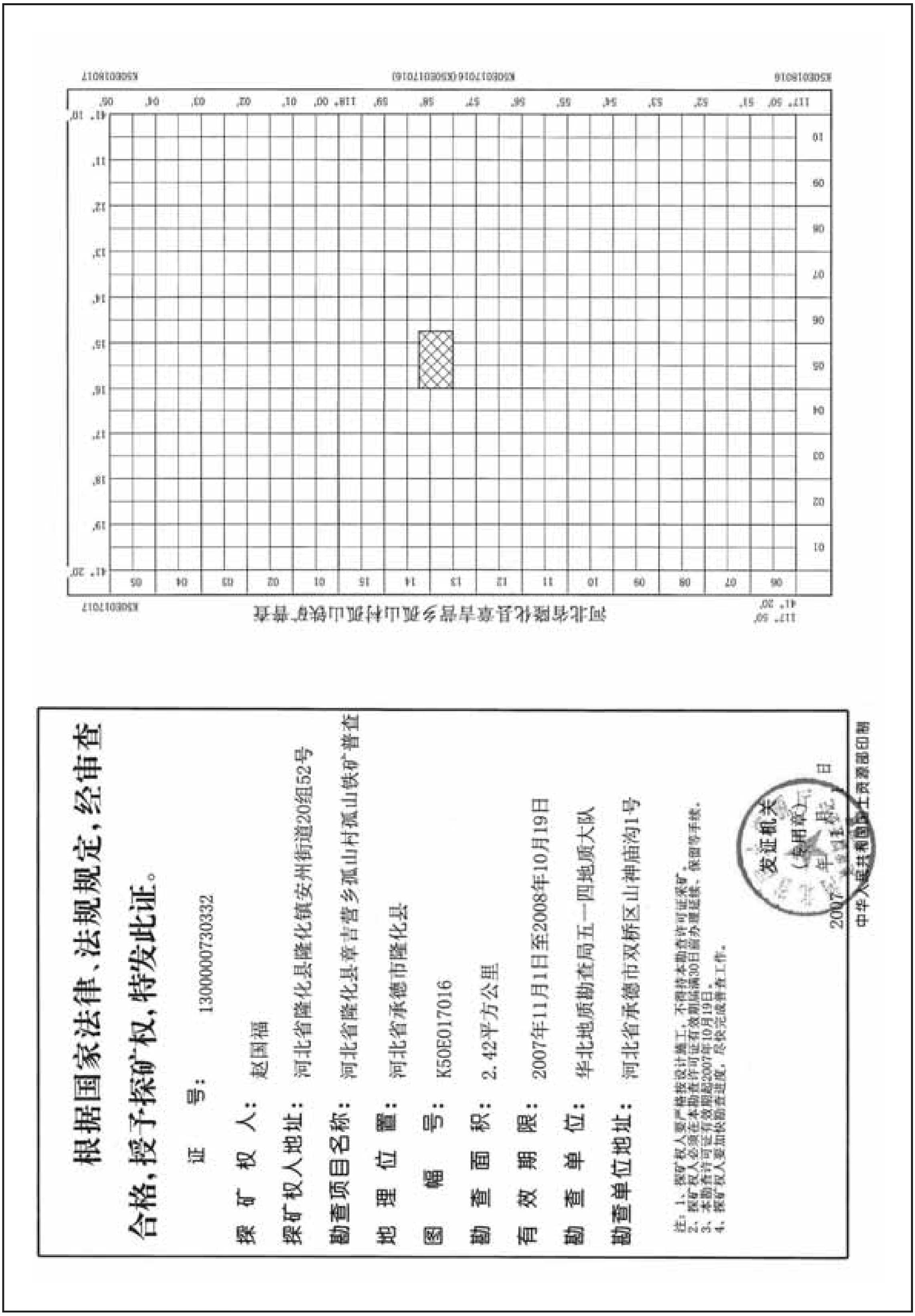
扩界后矿区总面积为 4.046 km^2

生产规模由 1.00 万吨/年调整为 140 万吨/年。

该矿变更延续手续齐全，能够按照开发利用方案设计的技术要求进行开采，没有违反《矿产资源法》和相关法律法规之行为，矿产资源补偿费和采矿权使用费已缴纳，同意办理变更延续登记手续。

二00四年七月十五日

APPENDIX 3 – GUSHAN EXPLORATION LICENCE



隆化县国土资源局
关于"河北省隆化县章吉营乡孤山村孤山铁矿普查"
探矿权转让核查情况的说明

承德市国土资源局：

"隆化县章吉营乡孤山村孤山铁矿普查"提出的"河北省隆化县章吉营乡孤山村孤山铁矿普"探矿权转让，受让人为"承德剑峰矿业集团隆化隆鑫矿业有限公司"，勘查许可证号1300000730332。

现就有关情况说明如下：

一、探矿权人在该区完成的实物工作量和投入的资金属实，完成了最低的勘查投入；

二、该探矿权属无争议，勘查范围无纠纷；

三、该探矿权前期投资来源为自筹；

四、鉴于上述情况，我局同意该探矿权转让并变更探矿权人。

二00七年十一月十九日

编号[2007]第4258号

承德市国土资源局行政审批事项收文回执

承德剑峰矿业集团隆化隆鑫矿业有限公司：

你（单位）于2007年11月20日提交的 河北省隆化县章吉营乡孤山村孤山铁矿普查探矿权转让审查 申请材料已收到，我局将依法进行审查。如依法需要修改资料、组织听证、专家论证、招标拍卖挂牌、依法延长审批时限等，我局将在规定时间内告知。你（单位）可以在2007年12月16日后，打电话或凭业务编号及查询密码在政务大厅查询系统查询审批结果（咨询电话：0314---96115；你的业务编号：2007130800210429991 查询密码：919047）。

你（单位）已提交的申请材料清单如下：

1. 探矿权转让申请书
2. 探矿权转让合同书
3. 勘查许可证复印件
4. □受让人勘查资金证明 □受让人采矿资金证明
5. 受让人与勘查单位签订的委托勘查合同
6. □受让人法人营业执照 □个人身份证复印件
7. 地质勘查资质证书复印件
8. 探矿权转让申请报告
9. 普查前期工作总结及下步工作实施方案
10. 申请登记区块范围图
11. 会计核算表
12. 收款收据复印件
13. 县局关于探矿权转让核查情况的说明

承德市国土资源局
政务大厅办文专用章

经办人（签字）：[illegible] （印章 [illegible]）

提交人（签字）：[illegible] 身份证号：13080256102461X

固定电话：13231421356 手机：13231421356 邮政编码：067000

通讯地址：承德市隆化县章吉营乡孤山村

注：此回执为领取批准文件（或许可证）的凭证，请妥善保存；如本人不能领取，可出具委托书，并列明委托权限，委托他人执此回执办理。

APPENDIX 4 – CHINESE RESOURCE AND RESERVE STANDARDS

Categorisation of Mineral Resources and Ore Reserves

The system to categorise mineral resources and ore reserves in China is in a period of transition which commenced in 1999. The traditional system, which is derived from the former Soviet system, uses five categories based on decreasing levels of geological confidence – Categories A, B, C, D and E. The new system (Rule 66) promulgated by the Ministry of Land & Resources (MLR) in 1999 uses three-dimensional matrices, based on economic, feasibility/mine design and geological degrees of confidence. These are categorised by a three number code of the form "123". This new system is derived from the UN Framework Classification proposed for international use. All new projects in China must comply with the new system. However, estimates and feasibility studies carried out before 1999 will have used the old system.

Wherever possible, the Chinese Resource and Reserve estimates have been reassigned by SRK to categories similar to those used by the JORC Code to standardize categorization. Although similar terms have been used, SRK does not mean to imply that in their present format they are necessarily classified as 'Mineral Resources' as defined by the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code").

A broad comparison guide between the Chinese classification scheme and the JORC Code is presented in the following table.

JORC Code Resource Category	Chinese "Reserve" Category	
	Previous system	Current system
Measured	A, B	111, 111b, 121, 121b, 2M11, 2M21, 2S11, 2S21, 331
Indicated	C	122, 122b, 2M22, 2S22, 332
Inferred	D	333, 334

Relationship between JORC Code and the Chinese Reserves System

In China, the methods used to estimate the resources and reserves are generally prescribed by the relevant Government authority, and are based on the level of knowledge for that particular geological style of deposit. The parameters and computational methods prescribed by the relevant authority include cut-off grades, minimum thickness of mineralisation, maximum thickness of internal waste, and average minimum 'industrial' or 'economic' grades required. The resource classification categories are assigned largely on the basis of the spacing of sampling, trenching, underground tunnels and drill holes.

In the pre-1999 system, Category A generally included the highest level of detail possible, such as grade control information. However, the content of each category B, C & D may vary from deposit to deposit in China, and therefore must be carefully reviewed before assigning to an equivalent "JORC Code type" category. The traditional Categories B, C & D are broadly equivalent to the 'measured', 'indicated', and 'inferred' categories that are provided by the JORC Code and USBM/USGS systems used widely elsewhere in the world. In the JORC Code system the 'measured resource' category has the most confidence and the 'inferred' category has the least confidence, based on increasing levels of geological knowledge and continuity of mineralisation.

Definition of the New Chinese Resource and Reserve Category Scheme

CATEGORY	DENOTED	COMMENTS
Economic	1	Full feasibility study considering economic factors has been conducted
	2	Pre-feasibility to scoping study which generally considers economic factors has been conducted
	3	No pre-feasibility or scoping study conducted to consider economic analysis
Feasibility	1	Further analysis of data collected in "2" by an external technical department
	2	More detailed feasibility work including more trenches, tunnels, drilling, detailed mapping
	3	Preliminary evaluation of feasibility with some mapping and trenches
Geologically controlled	1	Strong geological control
	2	Moderate geological control via closely-spaced data points (e.g. small-scale mapping)
	3	Minor work which projected throughout the area
	4	Review stage

APPENDIX 5 – AUSTRALIAN STANDARD FOR DESCRIBING RISK

Table 1: Qualitative Measures of Consequence or Impact

Descriptor	Example Detail Description
Insignificant	No injuries, low financial loss
Minor	First aid treatment, on-site release immediately contained, medium financial loss
Moderate	Medical treatment required, on-site release contained with outside assistance, high financial loss
Major	Extensive injuries, loss of production capability, off-site release with no detrimental effects, major financial loss
Catastrophic	Death, toxic release off-site with detrimental effect, huge financial loss

Note: Measures used should reflect the needs and nature of the organisation and activity under study

Table 2: Qualitative Measures of Likelihood

Descriptor	Description
Almost certain	Is expected to occur in most circumstances
Likely	Will probably occur in most circumstances
Possible	Might occur at some time
Unlikely	Could occur at some time
Rare	May occur only in exceptional circumstances

Note: These tables need to be tailored to meet the needs of an individual organisation

Table 3: Qualitative Risk Analysis Matrix – Level of Risk

	Consequences				
Likelihood	**Insignificant 1**	**Minor 2**	**Moderate 3**	**Major 4**	**Catastrophic 5**
A (almost certain)	H	H	E	E	E
B (likely)	M	H	H	E	E
C (possible)	L	M	H	E	E
D (unlikely)	L	L	M	H	E
E (rare)	L	L	M	H	H

Note: The number of categories should reflect the needs of the study

Legend:

E: extreme risk; immediate action required

H: high risk; senior management attention needed

M: medium risk; management responsibility must be specified

L: low risk; manage by routine procedures

Based on AS/NZS 4360:1999

APPENDIX 6 – ENVIRONMENTAL LEGISLATIVE BACKGROUND

The Chinese Mineral Resources Law (1996), Rules for Implementation of the Mineral Resources Law of the People's Republic of China (2006) and Environmental Protection Law (1989) provides the main legislative framework for the regulation and administration of mining projects within China. The Environmental Protection Law (1989) provides the main legislative framework for the regulation and administration of mining projects environmental impacts.

The following articles of the Mineral Resources Law (1996) summarise the specific provisions in relation to environmental protection:

Article 15 Qualification & Approval

Anyone who wishes to establish a mining enterprise must meet the qualifications prescribed by the State, and the department in charge of examination and approval shall, in accordance with law and relevant State regulations examine the enterprise's mining area, its mining design or mining plan, production and technological conditions and safety and environmental protection measures. Only those that pass the examination shall be granted approval.

Article 21 Closure Requirements

If a mine is to be closed down, a report must be prepared with information about the mining operations, hidden dangers, land reclamation and utilization, and environmental protection, and an application for examination and approval must be filed in accordance with relevant State regulations.

Article 32 Environmental protection obligations of mining license holders

In mining mineral resources, a mining enterprise or individual must observe the legal provisions on environmental protection to prevent pollution of the environment.

In mining mineral resources, a mining enterprise or individual must economize on the use of land. In case cultivated land, grassland or forest land is damaged due to mining, the mining enterprise concerned shall take measures to utilize the land affected, such as by reclamation, tree and grass planting, as appropriate to the local conditions.

Anyone who, in mining mineral resources, causes losses to the production and well-being of other persons shall be liable for compensation and shall adopt necessary remedial measures.

The following articles of the Environmental Protection Law (1989) summarise the specific provisions for environmental protection in relation to mining:

Article 13 Environmental protection

Units constructing projects that cause pollution to the environment must observe the state provisions concerning environmental protection for such construction projects.

The environmental impact statement on a construction project must assess the pollution the project is likely to produce and its impact on the environment and stipulate the preventive and curative measures; the statement shall, after initial examination by the authorities in charge of the construction project, be submitted by specified procedure to the competent department of environmental protection administration for approval. The department of planning shall not ratify the design plan descriptions of the construction project until after the environmental impact statement on the construction project is approved.

Article 19 Statement of requirement for Environmental protection

Measures must be taken to protect the ecological environment while natural resources are being developed or utilized.

Article 24 Responsibility for Environmental protection

Units that cause environmental pollution and other public hazards shall incorporate the work of environmental protection into their plans and establish a responsibility system for environmental protection, and must adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities.

Article 26 Pollution Prevention & Control

Installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project. No permission shall be given for a construction project to be commissioned or used, until its installations for the prevention and control of pollution are examined and considered up to the standard by the competent department of environmental protection administration that examined and approved the environmental impact statement.

Article 27 Report on Pollution Discharge

Enterprises and institutions discharging pollutants must report to and register with the relevant authorities in accordance with the provisions of the competent department of environmental protection administration under the State Council.

Article 38 Violation Consequences

An enterprise or institution which violates this Law, thereby causing an environmental pollution accident, shall be fined by the competent department of environmental protection administration or another department invested by law with power to conduct environmental supervision and management in accordance with the consequent damage; in a serious case, the persons responsible shall be subject to administrative sanction by the unit to which they belong or by the competent department of the government.

The following are other Chinese laws that provide environmental legislative support to the Minerals Resources Law (1996) and the Environmental Protection Law (1989):

- Environmental Impact Assessment (EIA) Law (2002).
- Law on Prevention & Control of Atmospheric Pollution (2000).
- Law on Prevention & Control of Noise Pollution (1996).
- Law on Prevention & Control of Water Pollution (1996).
- Law on Prevention & Control Environmental Pollution by Solid Waste (2002).
- Forestry Law (1998).
- Water Law (1988).
- Water & Soil Conservancy Law (1991).
- Water Conservancy Industrial Policy (1997).
- Cleaner Production Law (2003).
- Land Administration Law (1999).
- Protection of Wildlife Law (1989).
- Energy Conservation Law (1998).
- Electric Power Law (1995).

- Management Regulations of Prevention & Cure of Tailings Pollution (1992).
- Management Regulations of Dangerous Chemical Materials (1987).

The relevant environmental protection related Chinese legislation utilised for project's design are a combination of the following National design regulations and emissions standards:

- Environment Protection Design Regulations of Construction Project (No. 002) by Environment Protection Committee of State Council of PRC (1987).
- Decree No. 152 of the State Council of the People's Republic of China – Detailed Rules for the Implementation of the Minerals Resources Law (1994).
- Decree No. 253 of the State Council of the People's Republic of China – Regulations on the Administration of Construction Project Environmental Protection (1998).
- Huan Fa No. 28 of State Environmental Protection Administration – Notice on Interim Measures for Public Participation in Environmental Impact Assessment (2006).
- Guo Fa No. 38 of the State Council – Notice on National Programme for Eco-Environmental Conservation (2000).
- Industrial Policy for China Resources Comprehensive Utilization (2003).
- Regulations for Quality Control of Construction Projects (2000).
- Regulations for the Implementation of the Water and Soil Conservation Law (1993).
- Regulations for Environmental Monitoring (1983).
- Regulations on Nature Reserves (1994).
- Regulations on Administration of Chemicals Subject to Supervision & Control (1995).
- Regulations on Management of Chemicals Subject to Supervision & Control (1995).
- Environment Protection Design Regulations of Metallurgical Industry (YB9066-55).
- Comprehensive Emission Standard of Wastewater (GB8978-1996).

- Sewage Discharge Standard (GB8979-1996).
- Irrigation Water Quality Standard (GB5084-1992).
- Environmental Quality Standard for Surface Water (GB3838-2002).
- Environmental Quality Standard for Groundwater (GB/T14848-1993).
- Ambient Air Quality Standard (GB3095-1996).
- Comprehensive Emission Standard of Atmospheric Pollutants (GB16297-1996).
- Atmospheric Diffusion Parameters and VWP Index (GB/T13201-1991).
- Emission Standard of Atmospheric Pollutants from Industrial Kiln (GB9078-1996).
- Emission Standard of Atmospheric Pollutants from Boiler (GB13271-2001) – II – stage coal-fired boiler.
- Environmental Quality Standard for Soils (GB15618-1995).
- Standard of Boundary Noise of Industrial Enterprise (GB12348-90).
- Emissions Standard for Pollution from Heavy Industry; Non-Ferrous Metals (GB4913-1985).
- Control Standard on PCB's for Wastes (GB13015-1991).
- Standard for Pollution Control on Hazardous Waste Storage (GB18597-2001).
- Standard for Pollution Control of Hazardous landfill Sites (GB18598-2001).
- Standard for Pollution Control on General Industrial Solid Waste Sites (GB18599-2001).
- Identification Standards for Hazardous Waste – Identification for Extraction Procedure Toxicity (GB5085.3-1996).
- Standard of Landfill and Pollution Control of Hazardous Waste (GB 18598-2001).

The following is the text of a business valuation report, prepared for the purpose of incorporation in this circular received from Norton Appraisals Limited, an independent valuer, in connection with the business valuation of the Target Group as at 7 October 2007.

Norton Appraisals
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31 December 2007

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The Board of Directors
Solartech International Holdings Limited
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Dear Sirs,

Re: The 100% equity interest in the business enterprise of Yeading Enterprises Limited

In accordance with your instructions for us to carry out an appraisal of the market value of the 100% equity interest in the business enterprise of Yeading Enterprises Limited and its subsidiaries (hereinafter together referred to as the "Business Enterprise"), the primarily economic assets of the Business Enterprise are its holding of mining right of an operating iron-ore mine in Beibaozi Village, Zhongguan Town (hereinafter referred to as the "Zhongguan Town Mine"); an iron-ore exploration right in Zhangjiying Ziang of Gushan Village (hereinafter referred to as the "Gushan Property") (hereinafter together referred to as the "Longxin Project"); iron-ore concentrated powder processing plants and the relevant mining and iron-ore concentrated powder production equipment (hereinafter together referred to as the "Processing Plants") all located in Longhua County, Chengde City, Hebei Province, the People's Republic of China (hereinafter referred to as the "PRC"), we confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Business Enterprise as at 7 October 2007 (hereinafter referred to as the "Date of Appraisal").

This report states the purpose of appraisal and scope of our works, identifies the business appraised, describes the basis and methodology of our appraisal, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

1.0 PURPOSE OF APPRAISAL

This report is being prepared solely for the use of the directors and management of Hua Yi Copper Holdings Limited (hereinafter referred to as the "Company") and Solartech International Holdings Limited ("Solartech") for inclusion in the circulars to their respective shareholders in relation to the acquisition of the Business Enterprise pursuant to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited. In addition, Norton Appraisals Limited ("Norton Appraisals") acknowledge that this report may be made available to the independent financial adviser of the Company and used by such adviser as one of the sources of information for formulating its advice to the independent directors and shareholders of the Company, and, if requested, regulators (Stock Exchange).

Norton Appraisals Limited (hereinafter referred to as "Norton Appraisals") assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way or the contents of this report they do so entirely on their own risk.

2.0 SCOPE OF WORK

Our appraisal conclusions are based on the assumptions stated herein and on information, in particular the Technical Assessment Report (December 2007) prepared by SRK Consulting China Limited (hereinafter referred to as "Technical Report") – an independent qualified mineral technical adviser specified to the industry and the business plan provided by the management of the Business Enterprise or its representative (hereinafter referred to as the "Management").

In preparing this report, we have had discussions with the Management and the Company in relation to the development and prospects of the iron-ore extracting and processing industries in the PRC, and the development, operations and other relevant information of the Business Enterprise. As part of our analysis, we have reviewed such financial information, Technical Report and other pertinent data concerning the Business Enterprise provided to us by the Management and the Company and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the business operation of the Business Enterprise will approximate those projections in the business plan because assumptions regarding future events by their nature are not capable of independent substantiation.

In applying these projections to the appraisal of the market value of the Business Enterprise, we are making no representation that the business expansion will be successful, or that market growth and penetration will be realized.

3.0 BUSINESS ENTERPRISE

Yeading Enterprises Limited (the "Business Enterprise"), is a limited liability company incorporated in the British Virgin Islands ("BVI").

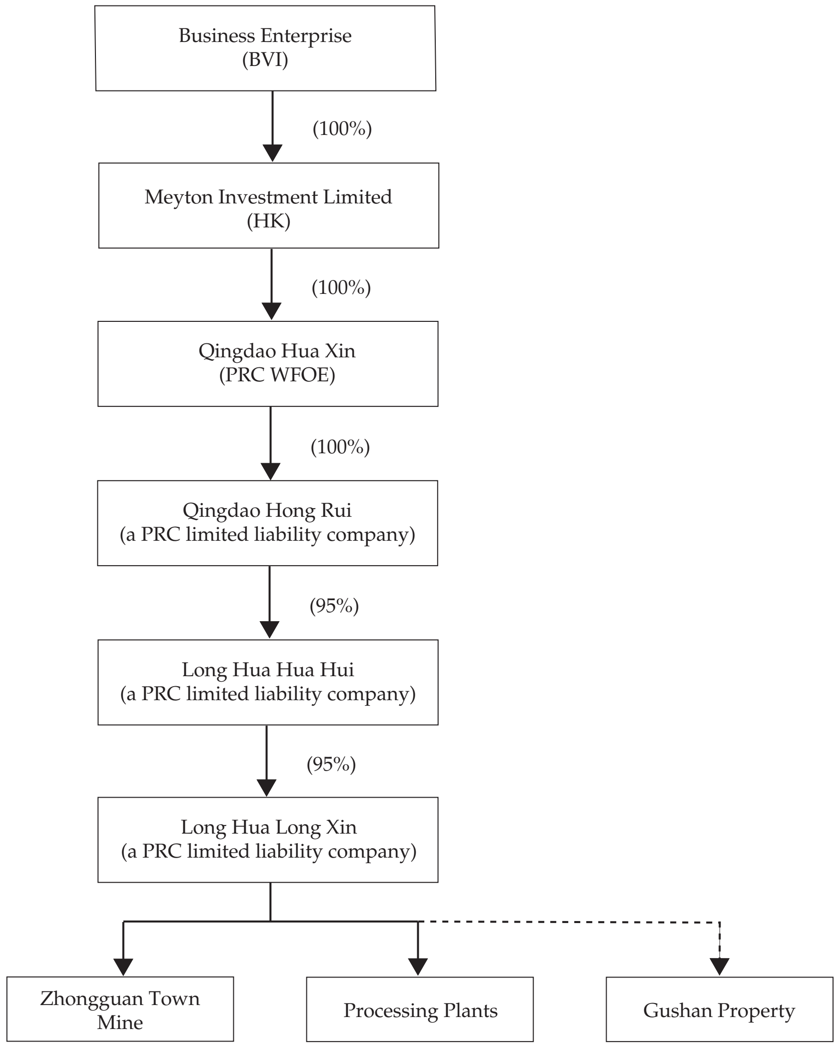
The primarily economic assets of the Business Enterprise include the Zhongguan Town Mine; the Gushan Property and the Processing Plants all located in Longhua County, Chengde City, Hebei Province, the PRC. It is principally engaged in the business of mining, iron-ore processing and trading of iron-ore concentrated powder products. The Business Enterprise currently employed 256 persons including 130 persons for the Zhongguan Town Mine and 126 persons for the Processing Plants.

3.1 The Shareholding Structures

Meyton Investment Limited (a direct wholly-owned subsidiary incorporated in Hong Kong in 2007 of the Business Enterprise) will, upon completion, beneficially own 100% equity interest in Qingdao Hua Xin Mining Industry Limited Company (a PRC Wholly-Owned Foreign Enterprise ("WOFE")) (hereinafter referred to as "Qingdao Hua Xin") and indirectly own 100% equity interest in Qingdao Hong Rui Mining Industry Co., Ltd. (a PRC limited liability company) (hereinafter referred to as "Qingdao Hong Rui"), 95% equity interest in Long Hua Hua Hui Xin Fu Mining Industry Limited Company (a PRC limited liability company) (hereinafter referred to as "Long Hua Hua Hui") and 95% equity interest in the Chengde Jianfeng Mining Industry Group Long Hua Long Xin Mining Industry Limited Company (hereinafter referred to as "Long Hua Long Xin").

The Zhongguan Town Mine and the Processing Plants are currently owned by Long Hua Long Xin and as advised, the title of the Gushan Property was in the process of transferring to Long Hua Long Xin.

The shareholding structures just after completion are tabulated as follows:



3.2 Relevant Legal Documents

The Business Enterprise

(i) The Business Enterprise is subject to a Enterprise Legal Person Business Licence No. 1308252000112 for a term commencing from 3 March 2004 and expiring on 6 January 2034. The main scope of business is confined to iron-ore mining (only permitted within commencement period stipulated at the Mining Licence), iron-ore concentrated powder, steel materials, processing plants and the relevant mining and iron-ore concentrated powder production equipment. The registered capital of the Business Enterprise is RMB5,000,000. The registered address of the Business Enterprise is situated at Beibaozi Village, Zhongguan Town, Longhua County, Chengde City, Hebei Province, the PRC.

The Zhongguan Town Mine

(ii) Pursuant to 辦理變更延續登記手續的情況說明 (Mining Licence Renewal Registration Conditions Statement) 隆國土資採礦 (2004) 5號 (Long Guo Tu Zi Cai Kuang (2004) No. 5) issued by 隆化縣國土資源局 (Land Resources Bureau of Longhua County) dated 15 July 2004, the estimated 122b resources with average grade of whole iron (hereinafter referred to as "TFe") 21.59% and 333 resources with average TFe grade of 21.01% are 8,420,000 tonnes and 2,440,400 tonnes respectively; the mining depth ranging from 730 metre reduced level to 550 metre reduced level; the expanded mining area is approximately 4.046 sq.km.; and the production capacity is approximately 1,400,000 tonnes per annum.

(iii) Pursuant to a Mining Licence No. 1308000520160 issued by 隆化縣國土資源局 (Land Resources Bureau of Longhua County) dated 26 August 2005, the mining right of the Zhongguan Town Mine have been granted for a period of 3 years commencing from August 2005 to August 2008. The salient conditions are summarized as follows:

Mining Permit No. 1308000520160

Grantee	:	Long Hua Long Xin
Mining Mineral	:	Iron-ore
Mining Technique	:	Open-Pit Mining
Approximate Production Capacity	:	60,000 tonnes per annum
Mining Area	:	0.4225 sq.km.

(Note: Based on Mining Licence Renewal Registration Conditions Statement stipulated in 3.2(ii), the mining area and the production capacity have been increased to 4.046 sq.km. and 1,400,000 tonnes per annum respectively. We noted that the above changes has not been reflected in the last renewed mining licence.)

The Gushan Property

(iv) Pursuant to a Mining Exploration Licence No. 1300000510386 issued by 河北省國土資源廳 (Land Resources Bureau of Hebei Province) dated 19 October 2005, the mining exploration right have been granted to Mr. Zhao Guofu for a period of 2 years commencing from 19 October 2005 to 19 October 2007 with the mining exploration area of 2.42 sq.km..

(v) Pursuant to a Mining Exploration Licence No. 1300000730332 issued by 河北省國土資源廳 (Land Resources Bureau of Hebei Province) dated 1 November 2007, the mining exploration right have been granted to Mr. Zhao Guofu commencing from 1 November 2007 to 19 November 2008 with the mining exploration area of 2.42 sq.km..

(Note: The title transfer regarding the Mining Exploration Right from Mr. Zhao Guofu to the Business Enterprise has been approved by the 隆化縣國土資源局 (Land and Resources Bureau of Longhua County) dated 19 November 2007.)

The Processing Plants

(vi) Pursuant to a Construction Land Use Planning Permit No. 2003054 issued by 隆化縣建設局 (Construction Bureau of Longhua County) dated 25 December 2003, the construction project of iron-ore processing plant with a total site area of approximately 9.8mu, have been granted to Long Hua Long Xin.

(vii) Pursuant to a Construction Works Planning Permit No. 2003057 issued by 隆化縣建設局 (Construction Bureau of Longhua County) dated 25 December 2003, the construction project of iron-ore processing plant with a total permitted gross floor area of approximately 2,000 sq.m. have been granted to Long Hua Long Xin.

4.0 THE LONGXIN PROJECT

The Longxin project, comprising the Zhongguan Town Mine and the Gushan Property with the mining areas of 4.046 sq.km. and 2.42 sq.km. respectively contains low grade ore with the average TFe grade of 21.46% and the average magnetite content is about 11.29%; that is about 53% of the average total iron content.

Ore deposits in the Zhongguan Town Mine are relatively intact, close to the surface, outcropping as well as the simple hydro-geological and geo-technical conditions, open pit mining was selected. Trucks were used for ore transportation.

4.1 Location and geographic coordinates

The Longxin Project is located in Hebei Province of the north-eastern China. It is situated at 35 km north of Chengde City and about 275 km north of Capital City of China – Beijing (Fig. 1: Location Map). The geographic coordinates are at approximately longitude 117° 57′ 10″ E – 117° 57′ 52″ E and latitude 41° 14′ 30" N – 41° 15′ 22" N. It is dominated by the mountainous and rugged with steep hill slopes commonly exceeding 25° whereas elevations range from 876 m to 470 m above sea level.

Fig. 1: Location Map

4.2 Mineralogy

The Longxin Project is a typical magmatic deposit, a product of late stage magma segregation. Most iron ore bodies are in the hornblende pyroxenite phase as small lenticular and massive mineralisation, and others are carried by the anorthosite phase as dense disseminated mineralisation. The ore minerals are mainly magnetite and ilmenite (locally having hematite) and fewer sulfides (pyrite and pyrrhotite). Gangue minerals include mainly pyroxene and hornblende, with less apatite, sphene, epidote and chlorite.

4.3 Sampling methods

The Longxin Project has four mining areas including seven ore bodies, namely: I, II, III, IV, V, VI, and VII in the Zhongguan Town Mine; and four ore bodies, namely: I, II, III and IV in the Gushan Property (Fig. 2: Geological Map).

These ore bodies are delineated by mapping and surface (five trenches and exploration lines at 200 m spacing) channel sampling. The study included trenching, geological mapping, and sampling.

A total 931 m of seven trenches were completed and 338 channelling samples were collected under an exploration engineering density of 200 m (spacing between exploration lines) by 20–50 m (dipping depth). It is used to estimate resources into 122b or 333 category resources.

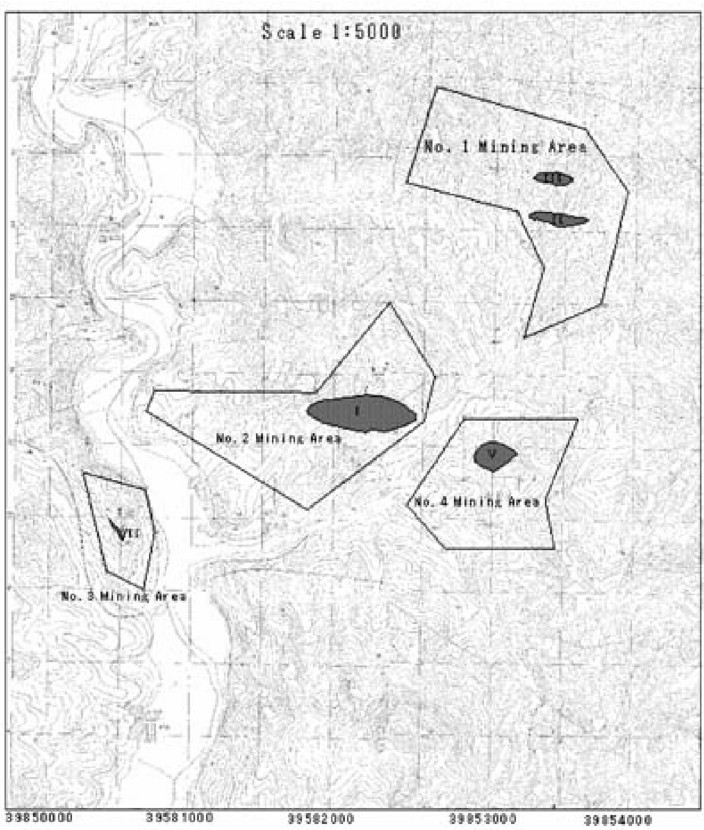


Fig. 2: Geological Map

4.4 Resource Estimation

According to the Exploration and Resources Estimates at 2004 conducted by Chengde Sanyuan Geology & Mineral Resources Co. Ltd., the Zhongguan Town Mine had a 122b resource of 8,420,000 tonnes at average TFe grade of 21.59%, and a 333 resource of 2,440,000 tonnes with average TFe grade of 21.01%. Meanwhile, according to the Exploration and Resources Estimates at 2006 conducted by Qinghuangdao Donghongxiang Geological Exploration Co. Ltd., the Gushan Property had a 122b resource of 174,730,000 tonnes at average TFe grade of 20.70%, and 10.81% magnetic iron (hereinafter referred to as "mFe"); a 333 resource of 13,760,000 tonnes with average TFe and mFe grades of 23.25% and 9.89%, respectively.

Deposit	Resource Categorization	Estimated Resources *(tonne)*	Average Grade TFe *(%)*	Average Grade mFe *(%)*
Zhongguan	122b	8,420,032	21.59	
Town Mine	333	2,440,446	21.01	
Total		**10,860,478**	21.46	11.29
Gushan Property	122b	174,726,434	20.70	10.81
	333	13,762,944	23.25	9.89
Total		**188,489,378**	20.67	10.38

Notes:

(i) The estimated resources categories – 122b and 333 are based on Chinese Resources Categorization system which is a three-digit system based on economic, feasibility/mine design and geological degrees of confidence.

(ii) 122b resource: The estimated resource is economic viable; with a pre-feasibility work including trenches, tunnels, drilling and detailed mapping; under geological assurance; and "b" is a suffix used to distinguish Basic Reserves according to Joint Ore Reserves Committee ("JORC") code.

(iii) 333 resource: The estimated resource is intrinsically economic; with geological study; and under inferred geological assurance.

5.0 THE PROCESSING PLANTS

Followed by the extracting phase from the Zhongguan Town Mine, the low-grade iron-ore deposits, with TFe grade ranging from 20.1% to 21.8%, will be delivered by the trucks to the Processing Plants located nearby in order to convert the low-grade raw ore into iron concentrates.

5.1 Processing Flow and Efficiency

The Processing Plants comprises of crushing area, grinding and magnetic separation, two production lines, ancillary office, laboratory, repair workshop, transformer room, storage and the dormitory.

The converting process of iron-ore to 64%–66% grades iron concentrates briefly involves three stages:

(i) Preliminary dry-magnetic processing

(ii) Grinding and classifying

(iii) Coarse-grinding magnetic processing

At December 2007, the third production line was expected to be completed and installed in the crushing area of the Processing Plants in order to maximize the existing processing efficiency.

The estimated maximum processing capacity of the Processing Plants is about 1.5 million tonnes raw ore per annum having the production capacity of 200,000 tonnes of iron concentrates with grades from 64% to 66%.

As advised by the Management, it takes 7 to 8 tonnes iron-ore to produce one tonne of iron concentrate in average. The production cost of iron concentrate is RMB285 per tonne which includes salaries, electricity and water costs.

5.2 Future expansion program

As advised by the Management, a new processing plant was planned to develop near to the Processing Plants. Construction work is scheduled to commence on March 2008 and complete at December 2008. It will contribute an extra production capacity of 500,000 tonnes of iron concentrates per annum.

The estimated budget of the expansion program is approximately RMB90,000,000 including land purchase and approval fees, civil engineering fees, equipment and working capital.

6.0 HISTORICAL EXPLORATION RECORDS

The Zhongguan Town Mine had the first exploration study conducted at 1954 and the latest at 2006 by various government or private groups including No. 4, No. 10 Geological Brigades of Hebei Bureau of Geology and Mineral Resources and Chengde Jianfeng Group. The investigating scopes of exploration studies and reporting time are summarized as follows:

- Airborne magnetic survey at northern Hebei by the Ministry of China, 1954–1977;

- 1:200,000 scale geological and geochemical mapping at northern Chengde City by No. 4 Geological Brigade of Hebei Bureau of Geology and Mineral Resources, 1980;

- No. 4 Geological Brigade of Hebei Bureau of Geology and Mineral Resources completed geological exploration work on the Beipuzi Fe ore deposit in Longhua County, estimated inferred ore resources (333 resource category) of 66,500 tonnes, with average TFe grade of 29.5%, 2001;

- No. 4 Geological Brigade of Hebei Bureau of Geology and Mineral Resources completed further geological survey of the poor V-Ti-magnetite in Chengde City, investigated distribution of the ores, delineated target areas of mineralisation, and conducted ore resources/reserves prediction of 4.5 billion tonnes, 2003;

- Chengde Sanyuan Geology and Mineral Resources Co. Ltd., commissioned by Chengde Jianfeng Group, conducted exploration and resource estimate, 2004; and

- Qinhuangdao Donghongxiang Geological Exploration Co. Ltd., commissioned by Chengde Jianfeng Group, conducted exploration and resource estimate, 2006.

7.0 IRON-ORE CHARACTERISTICS

Iron ores are rocks and minerals from which metallic iron can be economically extracted. The ores are usually rich in iron oxides and vary in colour from dark grey, bright yellow, deep purple to rusty red. There are four main types of iron ore deposits worked currently, depending on the mineralogy and geology of the ore deposits. These are magnetite, titanomagnetite, massive hematite and pisolitic ironstone deposits. The iron itself is usually found in the form of magnetite (Fe_3O_4), hematite (Fe_2O_3), goethite ($Fe(OH)_3$), limonite ($Fe_2O_3 + H_2O$) or siderite ($FeCO_3$).

7.1 Magnetite ore

The typical grade of iron at which a magnetite-bearing banded iron formation becomes economic is roughly 25% Fe, which can generally yield a 33% to 40% recovery of magnetite by weight to produce a concentrate grading in excess of 64% Fe by weight. The typical magnetite iron ore concentrate has less than 0.1% phosphorus, 3-7% silica and less than 3% aluminium.

7.2 Hematite and Ilmenite ore

Hematite ores contained about 66% iron and could be fed directly into iron making blast furnaces and is the raw material used to make pig iron. Hematite is the mineral form of Iron(III) oxide (Fe_2O_3), one of several iron oxides. Hematite and ilmenite form a complete solid solution at temperatures above 950°C.

Ilmenite is a weakly magnetic titanium-iron oxide mineral which is iron-black or steel-gray. It is a crystalline iron titanium oxide ($FeTiO_3$).

8.0 IRON-ORE APPLICATIONS

Iron is the most used of all the metals, comprising 95% of all the metal tonnage produced worldwide. It is the world's most commonly used metal and is used primarily in structural engineering applications and in maritime purposes, automobiles, and general industrial applications (machinery). Its combination of low cost and high strength make it indispensable, especially in applications like automobiles, the hulls of large ships and structural components for buildings. Steel is the best known alloy of iron and some of the forms that iron can take include:

- **Pig iron**

  It has 4% – 5% carbon and contains varying amounts of contaminants such as sulfur, silicon and phosphorus. Its only significance is that of an intermediate step on the way from iron ore to cast iron and steel.

- **Cast iron**

  It contains 2% – 4.0% carbon, 1% – 6% silircon and small amounts of manganese. Contaminants present in pig iron that negatively affect material properties, such as sulfur and phosphorus, have been reduced to an acceptable level. It has a melting point in the range of 1,420–1,470K which is lower than either of its two main components and makes it the first product to be melted when carbon and iron are heated together. Its mechanical properties vary greatly, dependent upon the form carbon takes in the alloy.

- **Carbon steel**

  It contains between 0.4% and 1.5% carbon with small amounts of manganese, sulfur, phosphorus, and silicon.

- **Wrought iron**

  It contains less than 0.2% carbon and is a tough, malleable product and not as fusible as pig iron. It has a very small amount of carbon, a few tenths of a percent. Wrought iron does not rust particularly quickly when used outdoors. It has largely been replaced by mild steel for "wrought iron" gates. Mild steel does not have the same corrosion resistance but is cheaper and more widely available.

- **Alloy steels**

  It contains varying amounts of carbon as well as other metals, such as chromium, vanadium, molybdenum, nickel, tungsten, etc. They are used for structural purposes as their alloy content raises their cost and necessitates justification of their use. Recent developments in ferrous metallurgy have produced a growing range of microalloyed steels, also termed "HSLA" or high-strength, low alloy steels, containing tiny additions to produce high strengths and often spectacular toughness at minimal cost.

- **Iron(III) oxides**

  It used in the production of magnetic storage media in computers. They are often mixed with other compounds and retain their magnetic properties in solution.

9.0 INTERNATIONAL IRON-ORE MARKET

World production averages one billion metric tonnes of raw ore annually. The world's largest producer of iron ore is the Brazilian mining corporation Companhia Vale Do Rio Doce ("CVRD"), followed by Australian company BHP Billiton ("BHP") and the Anglo-Australian Rio Tinto Group ("Rio Tinto"). A further Australian supplier, Fortescue Metals Group Ltd, is currently entering the development stage and may eventually bring Australia's production to second in the world.

Over the 2006, the iron ore industry has reportedly seen a 145% price increase, as prices in India rose from USD53 to USD130 per tonne year-on-year. Even as mining companies in Australia, the world's biggest iron ore exporter, struggle to churn out higher output, spot prices in Australia have jumped 39%, while Brazil shot up by 71%.

The estimated price hikes coincides with slowed global growth, particularly in the U.S. and Europe. However in 2008, the International Monetary Fund's interim forecast indicates continual growth for two emerging markets, the PRC and India. Morgan Stanley, Merrill Lynch and Macquarie Bank foresee a 50% increase in iron ore prices in the Asia region, while JP Morgan has set the increase at between 25–30%. It is due to fact that the demand for the iron-ore for manufacturing the steel products in Asia region is increased drastically.

According to the CRU Steel Price Indices *(Fig. 3: "International Carbon Steel Prices Indices (2005 – 2007)")*, Asia meet the record high among 2005 – 2007 with 29.8% year-on-year which also stimulating the growth of the Global Steel Price Index.

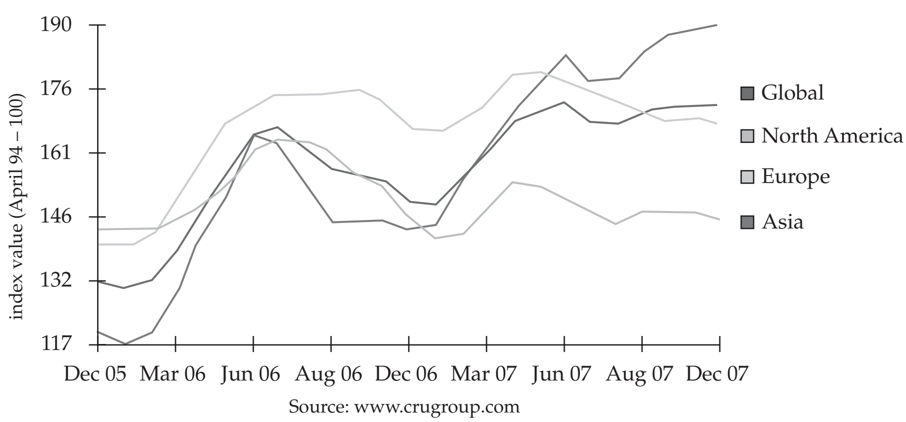


Fig. 3: International Carbon Steel Prices Indices (2005 – 2007)

Note: 1994 Carbon Steel Prices Index was set as the base index of 100

10.0 THE PRC IRON-ORE INDUSTRY

China is currently the largest consumer of iron ore which translates to be the world's largest steel producing country. China is followed by Japan and Korea which consume a significant amount of raw iron ore and metallurgical coal. According to 2007 market report conducted by "Asia Consulting Alliance", in the first three quarters of 2006, China produced 308 million tonnes of iron ore and recorded 28% growth year-on-year. In view of the whole year of 2006, it produced 588 million tonnes with an annual growth of 38% *(Fig. 4: "China's Crude steel output from 2000 to 2006").*

Consequently, triggered by the growth of the steel manufacturing industry in the PRC, mining industry is one of the key economic activities of the Longhua County of Hebei Province. The annual total production capacity of the steel at Hebei Province exceeded 50,000,000 tonnes manufactured by about 1,000 plants at 2006.

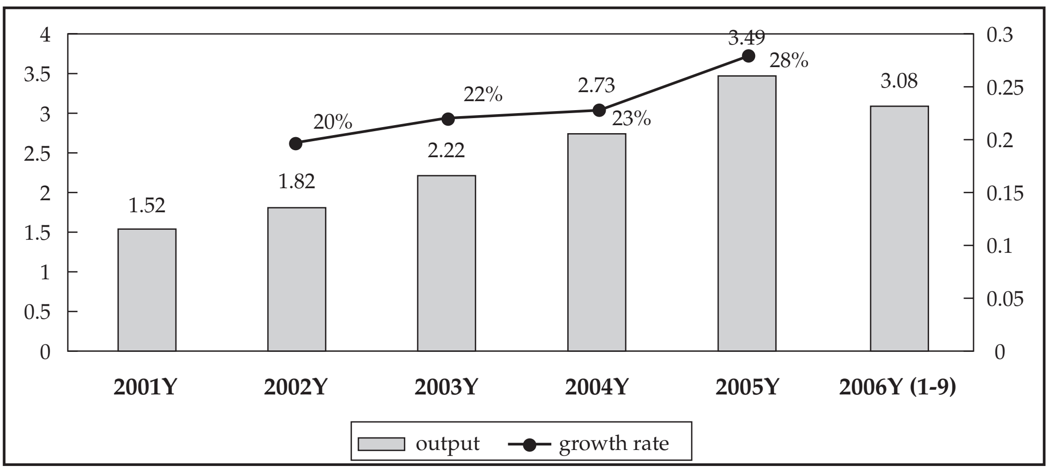


Fig. 4: China's Crude Steel Output (2005 – 2007) (100 million tonnes)

Source: "Asia Consulting Alliance"

According to the National Bureau of Statistics of China, up to June 2007, the total production amount of iron-ore was 321,286,600 tonnes with a rise of 29.3% annually. Whilst, the total production amount of cast iron, steel were 226,815,400 tonnes and 237,580,600 tonnes, the percentage growth were 16.8% and 18.9% respectively.

10.1 Iron-ore Price Trend in the PRC

According to China's Iron and Steel Association, for the first three quarters of 2007, the onshore price of the iron-ore raised 31.95% and 27.06% from January to September year-on-year. Being no doubt, the boosting of steel manufacturing industry (weighted 40% of consumption of steel in all over the world) is the key stimulator of the iron-ore price.

On the other hand, the onshore price of the iron-ore from other countries such as Brazil, Australia, Indonesia, etc. is stressed to rise. The rationale behind, other than the rising of delivering cost, is the proposed merging of BHP and Rio Tinto which produced 140,000,000 tonnes and 100,000,000 tonnes iron-ore per annum respectively and occupied for 30% to 35% of the market shares. The iron-ore onshore offer price would have a good room to rise due to the lack of competitors.

11.0 MAJOR RISK FACTORS

There are certain risks involved in our operations and many of these risks are beyond our control. These risks can be characterized as (i) risks relating to iron-ore industry and the Business Enterprise; (ii) risks relating to the PRC.

Risks relating to iron-ore Industry and the Business Enterprise

- The business operations are extensively impacted by the policies and regulations of the PRC Government.

- The continuing success depends on the ability to continue developing iron-ore resources.

- The business and results of operations are susceptible to the cyclical nature of iron-ore markets and are vulnerable to fluctuations in iron-ore prices.

- The business requires significant and continuous capital investment.

- The iron-ore reserve data may be inaccurate, and hence the projected future production volumes, revenue and capital expenditures, which are based on these estimates, may differ materially from actual figures.

- Accidents at the Longxin Project or other neighboring mines could materially and adversely affect our business operations.

- It may not have sufficient insurance coverage against potential operational risks.

- Adverse changes in the PRC's economic, political and social conditions as well as governmental policies could have a material adverse effect on China's overall economic growth, which could in turn adversely affect the financial condition and results of operations.

- Concerns over the PRC's high growth and measures taken by the PRC Government may lead to an increase in interest rates and a slowdown in economic growth.

12.0 DEFINITION OF APPRAISAL

Market Value is defined as the estimated amount for which the business should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Our valuation has been prepared in accordance with the HKIS Valuation Standards on Trade-related Business Assets and Business Enterprise (First Edition 2004) published by the Hong Kong Institute of Surveyors and the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum.

13.0 INVESTIGATION AND ANALYSIS

Our investigation included discussions with the Management and the Company in relation to the development and prospects of the iron-ore extracting and processing plants industries in the PRC, and the development, operations and other relevant information of the Business Enterprise. In addition, we have made relevant inquiries and obtained such further information, statistical figures regarding the iron-ore extracting and processing plants industries from external public sources as we consider necessary for the purpose of this appraisal. As part of our analysis, we have reviewed such financial information, the Technical Report and other pertinent data concerning the Business Enterprise provided to us by the Management and the Company and have considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business information.

The appraisal of an interest in the Business Enterprise requires consideration of all pertinent factors, which affect the operation of the business and its ability to generate future investment returns. The factors considered in this appraisal include, but not limited to, the following:

- The nature and the characteristics of the mining right such as the historical background and the ground work to develop the mining areas;
- Technical review of the mining operations and resource/reserve estimation by the technical experts;
- Projections made by the Management of the Business Enterprise;
- The nature of the mining right such as the remaining life and its characteristics;
- The capability of the contractors in explorating the mines and its subsequent operations;
- The economic and industry data affecting the mines and the mineral extraction industry in the PRC; and
- The market-derived investment returns of similar business.

14.0 GENERAL APPRAISAL APPROACHES

There are three generally accepted approaches to obtain the market value of the Business Enterprise, namely, the Market-Based Approach, the Asset-Based Approach and the Income-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted in valuing business entities that is similar in nature.

14.1 Market-Based Approach

It values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication from the prices of other similar companies or equity interests in companies that were sold recently.

The right transactions employed in analyzing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples (most commonly used are: price to earnings, price to revenues and price to book multiple) based on analyses of those transactions are then to be applied to the fundamental financial variables of the subject business entity and to arrive at an indicated value of it.

14.2 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital (equity and long term debt). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity (equity) and investors who lend money to the business entity (debt). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

From a valuation perspective, the valuer will restate the values of all types of assets of a business entity from book value, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, the valuer can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", arrive at the value of the equity interests of the business entity.

14.3 Income-Based Approach

The Income-Based Approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

15.0 APPRAISALS APPROACHES FOR THE BUSINESS ENTERPRISE

In the process of valuing the Business Enterprise, we have taken into account of the speciality of its operation and the industry it is participating. We have therefore considered the adopting of the Income-Based Approach to arrive at the market value of the Business Enterprise.

15.1 Discount Rate

It is a simple method adopting Income-Based Approach to state the value of a company in present value term. This method is simple and easy to understand. It is well accepted by most analysts and practitioners. A variety of basis has emerged in numerous attempt of establishing true value of a company. The latest attempt was looking from a non-controlling shareholder's perspective. That is the free cash flow available to them as an equity holder.

This is a widely used and accepted method to determine market value of a business or a firm, which is based on a simple reversal calculation to restate all future cash flow as present worth. To adopt this method, we must however, first obtain the cost of equity of the company as a basic discount rate. Since the Business Enterprise is not listed, we can only obtain their cost of equity based on the capital asset pricing model (CAPM) using beta of its proxies.

We have considered the nature of business, risk and etc of the relevant comparables and obtained an average un-geared equity beta from the market data.

By estimating a market return of 13.99% and a risk free return of 4.28% over the same period, we have arrived at a CAPM risk adjusted discount rate of 15.87% according to the CAPM model.

16.0 APPRAISAL ASSUMPTIONS

- We have relied on the Technical Report provided by the Management and we have no responsibility for the reliability of the advice;

- We have assumed the Business Enterprise has free and uninterrupted rights to use or assign the interests of the Longxin Project for the whole of the unexpired terms as granted and any mining rights premiums/administrative costs payable have already been fully paid;

- The mining right is able to renew from time to time in order to achieve the planned extraction phase;

- The mining area of 4.046 sq.km. and the production capacity of 1,400,000 tonnes per annum of the Zhongguan Town Mine is adopted;

- As per information from the Technical Report and upon fully operation of the Business Enterprise, the recovery of magnetic iron is approximately 84.08% and it takes approximately 7 tonnes of iron-ore to produce one tonne of iron concentrate;

- The current market price and the total production costs for the iron concentrate with an average grade of 65% are RMB1,100 per tonne and RMB285 per tonne respectively and in the course of our valuation, we have adopted zero future growth rate for the market price throughout the forecasting period;

- There will be no extra costs of substantial amount and legal impediment in obtaining the mining right of the Gushan Property;

- The Enterprise Legal Person Business Enterprise is able to renew from time to time in order to achieve the planned extraction phase;

- The Business Enterprise will successfully complete the subsequent expansion program and obtained the expected result by using the mining right as part of its going concern business;

- All required licenses, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization have been or can readily be obtained or renewed on which the valuation contained in our report are based;

- There will not be material changes in government policies or political, legal (including legislation or regulations or rules), fiscal (including interest rate and exchange rate), market or economic conditions, the bases or rates of taxation in the PRC, where the Longxin Project is situated;

- The contractors of the Business Enterprise successfully develop the Longxin Project as planned, and is able to mine, to transport and sell the products at market price as projected;

- The Business Enterprise has adequate working capital to implement the scheduled mining operations from time to time;

- The Business Enterprise has adopted reasonable and necessary security measures and has considered several contingency plans against any disruption (such as fire, change of government policy, labour dispute, implementation of serious statutory mining safety measures, geologic formation structurally deformed, soil erosion and other types of unexpected accident or natural disasters of catastrophes) to the scheduled mining operations;

- There exist reliable and adequate transportation network and capacity for the mining products; and

- The Business Enterprise can be freely disposed and transferred free of all encumbrances for its existing or approved uses in the market to both local and overseas purchasers without payment of any premium to the PRC government.

17.0 LIMITING CONDITIONS

This appraisal reflects facts and conditions existing at the date of appraisal. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management and the Company in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We have not investigated the title to or any legal liabilities of the Business Enterprise and have assumed no responsibility for the title to the Business Enterprise appraised.

We would particularly point out that our appraisal was based on the information such as company background, business nature, future prospecting and in particular the Technical Report and the business plan of the Business Enterprise provided to us.

Our conclusion of the market value is derived from generally accepted appraisal procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby confirm that we have neither present nor prospective interests in the Company and its holding companies, subsidiaries and associated companies, or the value reported herein.

18.0 REMARKS

Unless otherwise stated, all monetary amounts stated in this appraisal report are in Hong Kong Dollars.

19.0 OPINION OF VALUES

Based on the investigation and analysis stated above and on the appraisal method employed, we are of the opinion that the market value of the 100% equity interest of the Business Enterprise, as at 7 October 2007 is in the sum of HK$388,000,000 (HONG KONG DOLLARS THREE HUNDRED AND EIGHTY-EIGHT MILLION ONLY). The arithmetic breakdown of the market value of the 90.25% equity interest of the Business Enterprise as at 7 October 2007 is in the sum of HK$350,170,000 (HONG KONG DOLLARS THREE HUNDRED FIFTY MILLION ONE HUNDRED AND SEVENTY THOUSAND ONLY).

Yours faithfully,
For and on behalf of
Norton Appraisals Limited

Nick C. L. Kung *Registered Business Valuer of HKBVF, MRICS, MHKIS, RPS (G.P.)*
Director, Corporate Valuations

Note: Mr. Nick C. L. Kung is a Registered Professional Surveyor and Registered Business Valuer of the Hong Kong Business Valuation Forum (HKBVF) who has more than 5 years' experience in business valuation in Hong Kong and the PRC.

(A) REPORT FROM DELOITTE TOUCHE TOHMATSU

Deloitte.
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31 December 2007

The Board of Directors
Solartech International Holdings Limited
No.7, 2/F, Kingsford Industrial Centre
13 Wang Hoi Road
Kowloon
Hong Kong

Dear Sirs,

We have examined the cash flow projection covering the period from 1 January 2008 to 31 December 2015 used in the asset valuation of the mining right of an operating iron-ore mine in Zhongguan Town (the "Zhongguan Town Mine") and an iron-ore exploration right in Gushan Town (the "Gushan Property"), both of which are located in Longhua County, Chengde City, Hebei, Hebei Province, the People's Republic of China (hereinafter collectively referred to as the "Underlying Forecasts") as set out in Appendix V included in the circular of Solartech International Holdings Limited ("the Company") dated 31 December 2007 (the "Circular") in accordance with the International Standard on Assurance Engagements applicable to the examination of prospective financial information.

Management is responsible for the Underlying Forecasts including the assumptions set out on pages V-19 to V-20 of the Circular on which it is based. Because the Underlying Forecasts related to cash flows, no accounting policies of the Company have been adopted in its preparation. It is our responsibility to form an opinion, based on our examination of the Underlying Forecasts and to report our opinion solely to you, as a body, solely for the purpose of reporting under paragraph 29(2) of Appendix 1B of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

Our work has been undertaken solely to assist the directors of the Company in evaluating whether the Underlying Forecasts have been properly compiled in accordance with the assumptions made by the Directors of the Company. Our work does not constitute any valuation of either the Zhongguan Town Mine or the Gushan Property. As described above, the Underlying Forecasts have been prepared in connection with the valuation of the Zhongguan Town Mine and Gushan Property. As the mining operations are in an embryonic stage, the Underlying Forecasts have been prepared using a set of assumptions that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Consequently, readers are cautioned that the Underlying Forecasts may not be appropriate for purposes other than that described above.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Underlying Forecasts. Further in our opinion, the Underlying Forecasts are properly prepared on the basis of the assumptions and are presented in accordance with the assumptions made by the directors of the Company.

Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the Underlying Forecasts since other anticipated events frequently do not occur as expected and the variation may be material.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(B) REPORT 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)

(Stock Code: 1166)

31 December 2007

The Stock Exchange of Hong Kong Limited
11th Floor
One International Finance Centre
1 Harbour View Street
Hong Kong

Dear Sirs,

We refer to the valuation prepared by Norton Appraisals Limited ("Norton Appraisals") in relation to the appraisal of the market value of the 100% equity interest in the business enterprise of Yeading Enterprises Limited and its subsidiaries (hereinafter together referred to as the "Business Enterprise"); the primarily economic assets of the Business Enterprise are its holding of mining right of an operating iron-ore mine in Zhongguan Town; an iron-ore exploration right in Gushan Town; and iron-ore concentrated powder processing plants and the relevant mining and iron-ore concentrated powder production equipment all located in Longhua County, Chengde City, Hebei Province, the People's Republic of China. The valuation report of Norton Appraisals is included in Appendix V.

The valuation of the Business Enterprise is developed based on, among others, the cash flow forecast of the mining right and the estimated discount rate which is determined based on the capital asset pricing model (CAPM).

We have discussed with Norton Appraisals regarding the basis and assumptions of the valuation, and have reviewed the letter issued by Deloitte Touche Tohmatsu dated 31 December 2007 as set out in Appendix VI to the Circular regarding whether the cash flow forecast, so far as the arithmetical accuracy of the calculations are concerned, has been properly compiled in accordance with the assumptions made by us.

On the basis of the foregoing and all the information comprising the valuation and the arithmetical accuracy of the calculations reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the valuation has been made after due and careful enquiry.

Yours faithfully,
By order of the Board
Solartech International Holdings Limited
Chau Lai Him
Chairman and Managing Director

* *for identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Solartech. The directors of Solartech collectively and individually accept full responsibility for the accuracy of the information contained in this circular (so far as that relates to the Solartech Group (except as otherwise indicated)) and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts (so far as that relates to the Solartech Group (except as otherwise indicated)) the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

2.1 Directors' and chief executives' interests in securities of Solartech and its associated corporations

As at the Latest Practicable Date, the interests and short positions held by the directors and chief executives of Solartech in the shares, underlying shares and debentures of Solartech and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to Solartech and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to Solartech and the Stock Exchange were as follows:

(a) Long positions in shares of Solartech

Name of director	Class of shares	Capacity in which the shares are held	Number of shares interested	Number of Shares underlying share options	Approximate shareholding
Chau Lai Him	Ordinary shares	Beneficial owner	129,992,000	–	21.75%
Zhou Jin Hua	Ordinary shares	Beneficial owner	–	3,000,000	0.50%
Chan Kwan Hung	Ordinary shares	Beneficial owner	–	4,500,000	0.75%
Liu Jin Rong	Ordinary shares	Beneficial owner	–	1,500,000	0.25%

Note: 48,000,000 shares are held by Mr. Chau Lai Him and 81,992,000 shares are held by Chau's Family 1996 Limited which is wholly owned by Mr. Chau Lai Him.

(b) Long positions in shares of associated corporation – Hua Yi Copper

Name of director	Class of shares	Capacity in which the shares are held	Number of shares interested	Number of Shares underlying share options	Approximate shareholding
Chau Lai Him	Ordinary shares	Beneficial owner	2,894,000	–	0.37%
Chan Sio Keong	Ordinary shares	Beneficial owner	–	3,000,000	0.38%
Chan Kwan Hung	Ordinary shares	Beneficial owner	–	4,500,000	0.57%

Save as disclosed in this circular, as at the Latest Practicable Date, none of the directors and chief executives of Solartech had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of Solartech or its associated corporations which were required to be notified to Solartech and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to Solartech and the Stock Exchange.

Mr. Chau Lai Him, being a director of Solartech, is also the sole director and sole shareholder of Chau's Family 1996 Limited. Save as disclosed herein, none of the directors of Solartech is a director or employee of a company which has an interest or short position in the shares and underlying shares of Solartech which would fall to be disclosed to Solartech under the provisions of Divisions 2 and 3 of Part XV of the SFO.

2.2 Substantial shareholders' and other persons' interests in securities of Solartech

So far as is known to any director or chief executive of Solartech, as at the Latest Practicable Date, shareholders of Solartech (other than directors or chief executive of Solartech) who had an interest or short position in the shares or underlying shares of Solartech which would fall to be disclosed to Solartech under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in ten per cent. 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 Solartech Group and the amount of each of such person's interest in such securities, together with particulars of any options in respect of such capital, were as follows:

Long positions in shares of Solartech

Name of substantial shareholder	Capacity in which the shares are held	Number of shares interested	Approximate shareholding
Chau's Family 1996 Limited	Beneficial owner	81,992,000 *(Note 1)*	13.72%
Credit Suisse Group	Interest of controlled corporation	72,250,000	12.09%
Yin Jin Hua	Beneficial owner	55,700,000	9.32%

Note 1: The 81,992,000 shares of Solartech are held by Chau's Family 1996 Limited which is owned by Mr. Chau Lai Him.

Other persons having interests or short positions in other members of the Solartech Group

Name of Solartech's subsidiary	Substantial shareholder of such subsidiary	Nature of interest	Number of existing shares/fully paid registered capital	Percentage of issued share capital/ registered capital
東莞新寶精化有限公司 Dongguan Xin Bao Precision Chemical Co., Ltd.	Luckyman Assets Management Limited	Beneficial owner	HK$6,750,000	15%
FT Multi-Media Limited	Nobleman Holdings Limited	Beneficial owner	4,000 shares	40%

Save as disclosed above, so far as is known to any director or chief executive of Solartech, as at the Latest Practicable Date, Solartech had not been notified by any persons (other than directors or chief executive of Solartech) who had an interest or short position in the shares or underlying shares of Solartech which would fall to be disclosed to Solartech under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in ten per cent. 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 Solartech Group, or any options in respect of such capital.

Save as disclosed above, none of the directors of Solartech has or has had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Solartech Group or are proposed to be acquired or disposed of by or leased to any member of the Solartech Group since 30 June 2007, being the date to which the latest published audited accounts of Solartech were made up.

3. DIRECTORS' INTEREST IN COMPETING BUSINESS

To the best of the knowledge, information and belief of the directors of Solartech having made all reasonable enquiry, none of the directors of Solartech or their respective associates has any interest in a business which competes or is likely to compete with the business of the Solartech Group.

4. DIRECTORS' SERVICE CONTRACTS

Mr. Chan Kwan Hung has entered into a service agreement with Solartech with no fixed period of employment commencing from 2 October 2007, subject to termination by either party on one month's notice in the first two years and two months' notice after two years. Pursuant to the service agreement, the monthly director's emoluments of Mr. Chan amount to HK$100,000. The terms of the appointment were approved by the board of directors of Solartech with reference to Mr. Chan's qualifications and experience.

Save as disclosed herein, none of the directors of Solartech has any existing or proposed service contracts with any respective members of the Solartech Group, excluding contracts expiring or determinable by any respective members of the Solartech Group within one year without payment of any compensation other than statutory compensation.

5. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have issued letters which are contained in this circular:

Name	Qualification
SRK	independent technical adviser
Deloitte Touche Tohmatsu	Certified Public Accountants
Norton Appraisals Limited	Professional valuers

SRK, Deloitte Touche Tohmatsu and Norton Appraisals Limited have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their respective letters and reports (as the case may be) and references to their respective names, in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of SRK, Deloitte Touche Tohmatsu or Norton Appraisal Limited was beneficially interested in the share capital of any member of the Group, nor did they have any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Solartech Group, nor did they have any interest, either direct or indirect, in any assets which had been since 30 June 2007 (being the date to which the latest published audited financial statements of the Solartech Group were made up) acquired or disposed of by or leased to any member of the Solartech Group or which were proposed to be acquired or disposed of by or leased to any member of the Solartech Group.

None of SRK, Deloitte Touche Tohmatsu or Norton Appraisals Limited had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Solartech Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Solartech Group since 30 June 2007 (being the date to which the latest published audited financial statements of the Solartech Group were made up).

Neither SRK nor any directors of Solartech are interested in the promotion of, or in any assets which have been within two years immediately preceding the issue of this circular, acquired or disposed of by or leased to the Solartech Group or any of its subsidiaries.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Solartech Group within 2 years preceding the date of this circular and are or may be material:

(a) On 29 August 2007, Skywalk Assets Management Limited ("Skywalk"), a wholly owned subsidiary of Solartech, entered into the placing and subscription agreement (the "Placing Agreement") to place and subscribe for new shares in Hua Yi Copper (the "Placing and Top-Up Subscription"). Pursuant to the Placing Agreement, Skywalk placed 80,000,000 ordinary shares of HK$0.20 each in the capital of Hua Yi Copper to independent investors at a price of HK$0.96 per share and subscribed for 80,000,000 new ordinary shares of HK$0.20 each in the capital of Hua Yi Copper at a price of HK$0.96 per share. The Placing and Top-Up Subscription were completed on 7 September 2007. Details of the Placing and Top-Up Subscription were set out in the joint announcement of Hua Yi Copper and Solartech dated 31 August 2007.

(b) Pursuant to the placing and subscription agreement dated 13 August 2007 between Mr. Chau Lai Him and Chau's Family 1996 Limited which is wholly-owned by the Chau's Family 1996 Trust (the "Vendors") and Kingston Securities Limited, the Vendors placed 97,000,000 ordinary shares of HK$0.01 each in the capital of Solartech to independent investors at a price of HK$0.68 per share and subscribed for 97,000,000 new ordinary shares of HK$0.01 each in the capital of Solartech at a price of HK$0.68 per share (the "Top-Up placing"). The net proceeds from the Top-Up placing amounted to approximately

HK$63.8 million. Approximately HK$25 million of the net proceeds was intended to be used for general working capital of the Solartech Group and the remaining approximately HK$38.8 million was intended to be used for implementation of business expansion in the Solartech Group's business operation in Brazil. The Top-Up Placing was completed on 22 August 2007. Details of the Top-Up Placing were set out in the joint announcement of Solartech and Hua Yi Copper dated 13 August 2007.

(c) On 25 June 2007, Hua Yi Copper and CCB International Capital Limited (the "Placing Agent") entered into a placing agreement pursuant to which the Placing Agent placed 30,000,000 ordinary shares of HK$0.20 each in the capital of Hua Yi Copper a price of HK$1.20 per share on a best effort basis (the "Placing"). The Placing was completed on 10 July 2007 and a total of 30,000,000 ordinary shares of HK$0.20 each in Hua Yi Copper were placed. The details of the Placing were set out in the circular dated 19 July 2007.

(d) On 21 May 2007, Hua Yi Copper and Solartech jointly announced that Brightpower Assets Management Limited ("BAM", a company incorporated in BVI and an indirect wholly-owned subsidiary of Hua Yi Copper), Eternal Gain Investments Limited ("EGI", a company incorporated in BVI) and Kong Sun Holdings Limited ("Kong Sun", a company whose shares are listed on the Stock Exchange and which holds 100% EGI) entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") on 19 May 2007. Upon completion of the Sale and Purchase Agreement, the entire issued share capital of each of FT Far East Limited ("FTE") and FT China Limited ("FTC"), being the Sale Companies and directly wholly-owned subsidiaries of BAM, will be sold to EGI, and an indebtedness in the sum of HK$80,786,000 owed by FTE to BAM will be assigned to EGI, for an aggregate consideration of HK$60 million. The aggregate consideration will be settled by way of Kong Sun executing upon the completion date a promissory note in the amount of HK$20 million to BAM and partly by way of Kong Sun issuing upon the completion date the convertible bonds for an aggregate principal amount of HK$40 million to BAM or its nominees as BAM may direct. Details of the Sale and Purchase Agreement were set out in the joint circular of Hua Yi Copper and Solartech dated 8 June 2007. On 19 September 2007, the parties to the Sale and Purchase Agreement entered into a supplemental agreement, pursuant to which the deadline of the satisfaction of the conditions precedent as set out in the Sale and Purchase Agreement was amended and extended to 31 December 2007. Details of the supplemental agreement were set out in the joint announcement of Hua Yi Copper and Solartech dated 20 September 2007. On 17 December 2007, the parties to the Sale and Purchase Agreement entered into a letter for extension of the Long Stop Date, pursuant to which the deadline of the satisfaction of the conditions precedent as set out in the Sale and Purchase Agreement was amended and further extended to 29 February 2008. Details of the letter for extension were set out in the joint announcement of Hua Yi Copper and Solartech dated 17 December 2007.

(e) On 10 April 2007, Hua Yi Copper entered into a letter of intent ("LOI") with 江西華贛磊鑫銅業有限公司(Jiangxi Huagan Leixin Copper Co., Ltd.). Pursuant to LOI, Hua Yi Copper agreed conditionally to enter into formal binding sale and purchase documentation to acquire 51% equity interests in 江西鴻陽銅業有限公司(Jiangxi Hongyang Copper Co., Ltd), a company which was engaged in the production of copper materials and sulphuric acid with plans to engage in the copper mining business ("Proposed Acquisition"). Hua Yi Copper was not legally bound under the LOI to proceed with the Proposed Acquisition. The details of the material terms of the LOI were set out in the joint announcement made by Hua Yi Copper and Solartech on 11 April 2007. On 28 September 2007, Hua Yi Copper and Solartech jointly announced that, as the conditions under the LOI had not been fulfilled, the parties to the LOI had agreed not to proceed with the Proposed Acquisition.

(f) On 16 February 2007, Solartech and 北京福斯汽車電線有限公司(Beijing Force Automotive Wire Co. Ltd) entered into a memorandum of understanding ("MOU"), pursuant to which the parties agreed conditionally to the establishment of a joint venture company in the PRC to engage in the manufacturing and sales of automotive harness and cables. The formation of the joint venture company was subject to various conditions and the entering into of definitive legally binding documentation. The details of the material terms of the MOU were set out in the announcement dated 21 February 2007. On 28 September 2007, Solartech announced that, as the conditions under the MOU had not been fulfilled, the parties have agreed not to proceed with the proposed transaction.

(g) On 30 May 2006, Solartech entered into the Quota Purchase Agreement with Whirlpool S.A. and Brasmotor, for the acquisition of their 100% interest in Brascabos Componentes Eletricos e Eletronicos Ltda. ("Brascabos") for an aggregate consideration of US$10,000,000 (approximately HK$78,000,000) and guaranteeing the repayment of the shareholders' loan in an amount of not more than US$4,000,000 (approximately HK$31,200,000). Brascabos is one of the leading manufacturers of power cords and wire harness for white goods (large electrical home appliances) and automotive parts in Brazil. The details of the acquisition were set out in the circular dated 26 June 2006.

(h) On 24 April 2006, Solartech entered into the Convertible Notes Subscription Agreements with certain investors whereby such investors agreed to subscribe for convertible notes (the "Convertible Notes") in the aggregate principal amount of US$10,000,000. Upon the granting of the approval by the Stock Exchange for the listing of and permission to dealing the conversion shares, the issue of the Convertible Notes was completed on 9 May 2006. The Convertible Notes were issued pursuant to the general mandate granted to the directors of Solartech on 10 November 2005, and were subscribed by the investors themselves or through their nominees.

(i) On 20 April 2006, Chau's Family Trust and Mr. Chau Lai Him (the "Subscribers") entered into a placing agreement pursuant to which Chau's Family Trust and Mr. Chau Lai Him conditionally agreed to place, through a placing agent, up to 93,000,000 Shares. On the same date Solartech entered into a subscription agreement with the Subscribers whereby the Subscribers agreed to subscribe for up to 93,000,000 Shares. On 24 April 2006, Solartech entered into a convertible notes subscription agreement whereby certain investors agreed to subscribe for convertible notes issued by Solartech in the aggregate principal amount of US$10,000,000. Further details of the above agreements are set out in Solartech's announcements dated 25 April 2006, 8 May 2006 and the circular dated 17 May 2006.

(j) Share Purchase Agreement.

7. LITIGATION

As at the Latest Practicable Date, the directors of Solartech (so far as it relates to the Solartech Group) are not aware of any litigation or claims of material importance pending or threatened against any member of the Solartech Group.

As at the Latest Practicable Date, there was no claim in relation to exploration rights made or notified either by third parties against Solartech.

8. GENERAL

(a) The company secretary of Solartech is Ms. Chan Kam Yee. Ms. Chan is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

(b) The qualified accountant of Solartech is Mr. Lam Siu Wing. Mr. Lam is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

(c) The registered office of Solartech is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(d) The head office of Solartech is at No. 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.

(e) The transfer office of Solartech is at Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(f) The English language text of this circular shall prevail over the Chinese language text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Solartech's principal place of business at No. 7, 2/F., Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon Hong Kong, during normal business hours from the date of this circular up to and including 17 January 2008:

(i) the memorandum of association and the articles of association of Solartech;

(ii) the annual reports of Solartech for each of the two years ended 30 June 2007;

(iii) service contract entered between Mr. Chan Kwan Hung and Solartech dated 2 October 2007;

(iv) the Technical Report as set out on pages IV-1 to IV-96 of this circular;

(v) the Valuation Report as set out on pages V-1 to V-21 of this circular;

(vi) the Financial Information of Yeading Enterprises Limited as set out on pages II-1 to II-26 of this circular;

(vii) the accountants' report on the Solartech Group as set out on pages I-1 to I-76 of this circular;

(viii) the Pro Forma Financial Information as set out on pages IIIA-1 to IIIA-12 of this circular;

(ix) the material contracts referred to in the paragraph headed "Material contracts" above;

(x) the written consent referred to in the paragraph headed "Experts and consents" of this appendix; and

(xi) this circular.

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)

(Stock Code: 1166)

NOTICE IS HEREBY GIVEN that a special general meeting of SOLARTECH INTERNATIONAL HOLDINGS LIMITED (the "Company") will be held at No. 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong on 17 January 2008 at 10:00 a.m. for the purpose of considering and, if thought fit, with or without modification, passing the following resolution as an Ordinary Resolution of the Company:

ORDINARY RESOLUTION

"THAT

(a) the share purchase agreement and relevant supplemental agreements (the "Share Purchase Agreement") (a copy of which has been produced to the meeting marked "A" and initialled by the chairman of the meeting for the purpose of identification) and made between Hua Yi Copper Holdings Limited, a subsidiary of the Company, and Belleview Global Limited in relation to the acquisition of the entire issued share capital in Yeading Enterprises Limited as set out in the circular (the "Circular") of the Company dated 31 December 2007 (copy of which has been produced to the meeting marked as "B" and initialled by the chairman of the meeting for the purpose of identification) and all the transactions contemplated thereby and they are hereby approved;

(b) the issue of the Consideration Shares (as defined in the Circular) by Hua Yi Copper Holdings Limited, pursuant to and subject to the terms of the Share Purchase Agreement, be and it is hereby approved;

(c) the issue of the Option Shares (as defined in the Circular) by Hua Yi Copper Holdings Limited, pursuant to and subject to the terms of the Share Purchase Agreement and the Call Option Agreement (as defined in the Circular), be and it is hereby approved;

* *for identification purpose only*

(d) the directors of the Company (the "Directors") be and they are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Share Purchase Agreement, the issue of the Consideration Shares, and the issue of the Option Shares or any of the transaction contemplated under the Share Purchase Agreement, and the amendments to the Share Purchase Agreement (to the extent such amendments are not material in the context of the entire transaction as a whole)."

By order of the board
Solartech International Holdings Limited
Chan Lai Him
Chairman and Managing Director

Hong Kong, 31 December 2007

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
No. 7, 2nd Floor
Kingsford Industrial Centre
13 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend and in his stead. A proxy need not be a member of the Company.

2. A form of proxy for use at the meeting is enclosed. To be valid, the proxy form duly completed and signed in accordance with the instructions printed thereon, together with any power of attorney or other authority (if any) under which it is signed, or a 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 as soon as possible and, in any event, not less than 48 hours before the time appointed for holding of the meeting or any adjournment of it.

3. Where there are joint holders of any share, any one of such holders may vote at the meeting, either in person or by proxy, in respect of such share as if he were solely entitled to vote, but if more than one of such joint holders be present at the meeting in person or by proxy, the person so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect of it. Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person at the meeting or any adjourned meeting if he so desires. If a member attends the meeting after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.