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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)



HUA YI COPPER HOLDINGS LIMITED

華藝礦業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0559)

**VERY SUBSTANTIAL ACQUISITION;
VERY SUBSTANTIAL DISPOSAL;
PROPOSED SOLARTECH OPEN OFFER
IN THE PROPORTION OF
FOUR OPEN OFFER SHARES FOR EVERY
SHARE HELD ON RECORD DATE;
APPLICATION FOR
WHITEWASH WAIVER;
CONNECTED TRANSACTION –
UNDERWRITING AGREEMENT
AND
RESUMPTION OF TRADING**

**Joint financial advisers to
Solartech International Holdings Limited**

**OPTIMA
CAPITAL
Optima Capital Limited
and**

 **KINGSTON CORPORATE FINANCE LIMITED**

**Underwriter to Solartech Open Offer
Venture Success Holdings Limited**

**CONNECTED TRANSACTIONS –
VERY SUBSTANTIAL ACQUISITION,
VERY SUBSTANTIAL DISPOSAL
AND
PLACING AGREEMENT;
AND
RESUMPTION OF TRADING**

Placing Agent to Hua Yi Placing

 **KINGSTON SECURITIES LIMITED**

THE ASSET SWAP

On 5 December 2008, the Parties, which are members of the Solartech Group and the Hua Yi Group respectively, entered into the Agreements which govern the proposed Asset Swap between the Solartech Group and the Hua Yi Group. The Asset Swap comprises four agreements, being the HY Subsidiaries Agreement, the Solartech Enterprises Agreement, the Fund Resources Agreement and the Set-off Deed. The HY Subsidiaries Consideration (subject to the Adjustments) payable by Solartech under the HY Subsidiaries Agreement

* For identification purpose only

is approximately HK\$189.6 million. The Solartech Enterprises Consideration (subject to the Adjustments) payable by Hua Yi under the Solartech Enterprises Agreement is approximately HK\$101.0 million. The Fund Resources Consideration (subject to the Adjustments) payable by Hua Yi under the Fund Resources Agreement is approximately HK\$77.1 million.

Pursuant to the terms of the Set-off Deed, the payment obligation of Solartech for the HY Subsidiaries Consideration shall be set-off against the payment obligation of Hua Yi for the aggregate of the Solartech Enterprises Consideration and the Fund Resources Consideration with the difference to be settled in cash. Accordingly, at Completion, Solartech shall pay approximately HK\$11.5 million in cash to Hua Yi being the cash difference after such set-off (subject to the Adjustments).

It is expected that there will be certain trade receivables due to the Solartech Enterprises Group by the Solartech Remaining Group after Completion, which arise from the ordinary and usual course of business of the respective group companies before Completion. It is agreed that the outstanding trade receivables balance on the date of Completion should not exceed the Cap of HK\$30 million, and shall be settled by the Solartech Remaining Group in accordance with the normal credit terms of 90 days or less.

PROPOSED SOLARTECH OPEN OFFER

Solartech proposes to make the Solartech Open Offer on a fully underwritten basis in the proportion of four (4) Solartech Open Offer Shares for every Solartech Share held on the Record Date. The Solartech Open Offer involves the issue of 2,414,617,448 Solartech Open Offer Shares at a subscription price of HK\$0.027 per Solartech Open Offer Share.

To qualify for the Solartech Open Offer, a Solartech Shareholder must be registered as a member of Solartech at the close of business on the Record Date and must be a Qualifying Shareholder.

The Record Date and the dates for the closure of the register of members of Solartech to determine Solartech Shareholders' entitlements to the Solartech Open Offer will be announced by Solartech in due course.

As at the date of this announcement, Mr. Chau is, directly and indirectly, the beneficial owner of 132,692,000 Solartech Shares, representing approximately 22.0% of the existing issued share capital of Solartech. On 5 December 2008, Mr. Chau has irrevocably undertaken to Solartech that the Solartech Shares beneficially owned by him, directly or indirectly, will not be disposed of from the date of the undertaking up to and including the Record Date.

No Solartech Shareholder has indicated any intention to give any undertaking to take up any Solartech Open Offer Shares under the Solartech Open Offer. The Underwriter has conditionally agreed to fully underwrite all the 2,414,617,448 Solartech Open Offer Shares at a subscription price of HK\$0.027 per Solartech Open Offer Share. Mr. Chau is the owner of 74% of the issued share capital of the Underwriter. The remaining 26% of the issued share capital of the Underwriter is owned by Mr. Lau. Save for his interest as a

substantial shareholder of the Underwriter, Mr. Lau is not a Solartech Shareholder and is otherwise an independent third party of Solartech, the Solartech Directors, the subsidiaries of Solartech, the directors and chief executive of Solartech's subsidiaries, and their respective associates. The Underwriting Agreement provides that the Underwriter will be obliged to subscribe or procure subscribers for any Underwritten Shares not taken up by the Qualifying Shareholders.

The estimated net proceeds of the Solartech Open Offer is approximately HK\$60.0 million. Solartech plans to use the net proceeds as general working capital.

WARNING OF THE RISKS OF DEALING IN SOLARTECH SHARES

If the Underwriter terminates the Underwriting Agreement, or the conditions of the Underwriting Agreement are not fulfilled, the Solartech Open Offer will not proceed.

Any Solartech Shareholder or other person dealing in Solartech Shares up to the date on which all conditions to which the Solartech Open Offer is subject are fulfilled will accordingly bear the risk that the Solartech Open Offer cannot become unconditional and may not proceed. Any Solartech Shareholder or other person contemplating selling or purchasing Solartech Shares who is in any doubt about his/her position is recommended to consult his/her own professional adviser.

WHITEWASH WAIVER

As at the date of this announcement, Mr. Chau, the Underwriter and parties acting in concert with them (including Kingston Securities) are interested in a total of 132,693,100 Solartech Shares, representing approximately 22.0% of the issued share capital of Solartech. In the event that there are any Solartech Open Offer Shares not taken by the Qualifying Shareholders, the Underwriter will be required to subscribe for the untaken Solartech Open Offer Shares, which may result in Mr. Chau, the Underwriter and parties acting in concert with them holding 30% or more of the issued share capital of Solartech as enlarged by the issue of the Solartech Open Offer Shares. In the circumstances, an obligation on the part of the Underwriter to make a general offer for all the Solartech Shares not already owned or agreed to be acquired by Mr. Chau, the Underwriter and parties acting in concert with them may arise as a result of the subscription of the Underwritten Shares by the Underwriter. An application will be made by Mr. Chau and the Underwriter to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Solartech Independent Shareholders at the Solartech SGM by way of poll.

HUA YI PLACING

On 5 December 2008, Hua Yi and the Placing Agent entered into the Hua Yi Placing Agreement pursuant to which the Placing Agent shall procure, on a best efforts basis, subscribers to subscribe for 104,000,000 Hua Yi Placing Shares, subject to, among other things, the Capital Reorganisation becoming effective. The estimated net proceeds of the Hua Yi Placing is approximately HK\$30.3 million and will be utilized as general working capital of the Hua Yi Group.

Solartech is beneficially interested in approximately 45.4% of the issued share capital of Hua Yi. Upon completion of the Hua Yi Placing, Solartech's beneficial interest in Hua Yi will be diluted to approximately 28.6% of the issued share capital of Hua Yi as enlarged by the issue of Hua Yi Placing Shares.

GENERAL

Solartech

The HY Subsidiaries Agreement constitutes a very substantial acquisition for Solartech, while the Solartech Enterprises Agreement and the Fund Resources Agreement constitute a very substantial disposal for Solartech under the Listing Rules.

The Solartech Open Offer is subject to, among other things, approval by the Solartech Independent Shareholders. Since no excess application of the Solartech Open Offer Shares will be available and the Solartech Open Offer is wholly underwritten by the Underwriter, an associate of Mr. Chau (a director, the chief executive and a substantial shareholder of Solartech), the Underwriting Agreement constitutes a connected transaction of Solartech and must be specifically approved by the Solartech Independent Shareholders at the Solartech SGM on a vote by way of poll for the purpose of compliance with Rule 7.26A(2) of the Listing Rules.

The Solartech Independent Board Committee comprising one independent non-executive director of Solartech, being Mr. Lo Wai Ming, has been established by Solartech to advise the Solartech Independent Shareholders on the Solartech Open Offer and the Whitewash Waiver. Kingsway has been appointed to advise the Solartech Independent Board Committee and the Solartech Independent Shareholders in this regard.

The Solartech SGM will be convened for the purpose of considering and, if thought fit, approving, among other things, (i) the Agreements and the transactions contemplated under the Asset Swap; and (ii) the Solartech Open Offer; the Underwriting Agreement and the Whitewash Waiver, votes on which will be taken by way of poll. Certain parties are required to abstain from voting in respect of the resolutions relating to the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver, the Agreements and the Asset Swap at the Solartech SGM for the reasons more particularly described in the section headed "General" below.

Hua Yi

Solartech is the controlling shareholder of Hua Yi holding approximately 45.4% interest in Hua Yi. As such, Solartech is a connected person of Hua Yi within the meanings of the Listing Rules. On this basis, the HY Subsidiaries Agreement constitutes a connected transaction and a very substantial disposal for Hua Yi, while the Solartech Enterprises Agreement and the Fund Resources Agreement constitute a connected transaction and a very substantial acquisition for Hua Yi under the Listing Rules.

As the Hua Yi Placing is conditional upon the approval by the Hua Yi Independent Shareholders of the Asset Swap, in which Solartech has a material interest, and Solartech is a connected person, the Hua Yi Placing is deemed to be a connected transaction for Hua Yi under the Listing Rules.

The Hua Yi Independent Board Committee comprising one independent non-executive director of Hua Yi, being Mr. Lee Kin Keung, has been established by Hua Yi to advise the Hua Yi Independent Shareholders on the terms of the Asset Swap (including the Cap) and the Hua Yi Placing. Veda has been appointed to advise the Hua Yi Independent Board Committee and the Hua Yi Independent Shareholders in this regard.

The Hua Yi SGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Agreements and transactions contemplated under the Asset Swap (including the Cap), the Hua Yi Placing and the issue and allotment of the Hua Yi Placing Shares by the Hua Yi Independent Shareholders by way of poll. Solartech and its associates, and all parties who are involved in or interested in the Agreements, and transactions contemplated under the Asset Swap (including the Cap) and the Hua Yi Placing (including Mr. Chau and his associates, Mr. Lau and his associates, the Placing Agent, Kingston Finance Limited, and their respective associates) will be required to abstain from voting in relation to the resolutions to approve the Agreements and the transactions contemplated under the Asset Swap (including the Cap) and the Hua Yi Placing.

RESUMPTION OF TRADING

At the request of Solartech and Hua Yi, trading in the Solartech Shares and Hua Yi Shares have been suspended from 9:30 a.m. on 8 December 2008 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Solartech Shares and Hua Yi Shares respectively with effect from 9:30 a.m. on 11 December 2008.

BACKGROUND

As at the date of this announcement, Solartech is the controlling shareholder of Hua Yi holding 402,131,875 Hua Yi Shares representing approximately 45.4% of the issued share capital of Hua Yi. After the trading hours on 5 December 2008, the Parties, which are members of the Solartech Group and the Hua Yi Group respectively, entered into the Agreements which govern the proposed Asset Swap between the Solartech Group and the Hua Yi Group. Under the proposed Asset Swap, on the one hand, the Hua Yi Sale Companies, which are principally engaged in the manufacturing and trading of copper rods and copper wires in Dongguan of Guangdong Province, the PRC will be disposed of to Solartech together with the associated shareholder's loan; on the other hand, the Solartech Sale Companies, which are principally engaged in the manufacturing of electrical cables and wires in Shang Hang of Fujian Province, the PRC and Kunshan of Jiangsu Province, the PRC, will be disposed of to Hua Yi together with the associated shareholder's loans.

Solartech proposes to raise capital by way of the Solartech Open Offer raising approximately HK\$65.2 million before expenses. Venture Success Holdings Limited, a company beneficially owned as to 74% by Mr. Chau, the Chairman and Managing Director and a substantial shareholder of Solartech, will act as the Underwriter to the Solartech Open Offer. Mr. Chau and the Underwriter will apply for the Whitewash Waiver.

Hua Yi also proposes to strengthen its capital base by way of the Hua Yi Placing raising HK\$31.2 million before expenses. Kingston Securities acts as the Placing Agent for the Hua Yi Placing on a best efforts basis.

Details of the Asset Swap, the Solartech Open Offer, the Whitewash Waiver and the Hua Yi Placing are set out below.

THE ASSET SWAP

The Asset Swap comprises four agreements, including the three Sale and Purchase Agreements (being the HY Subsidiaries Agreement, the Solartech Enterprises Agreement and the Fund Resources Agreement) and the Set-off Deed.

1. HY Subsidiaries Agreement

Date : 5 December 2008

Parties

Vendor : Wah Yeung
Purchaser : Solartech
Guarantor : Hua Yi

Wah Yeung is a company incorporated in the BVI and an indirect wholly-owned subsidiary of Hua Yi. Wah Yeung is principally engaged in investment holding activities.

Subject matter of the HY Subsidiaries Agreement

Pursuant to the HY Subsidiaries Agreement, Solartech agreed to acquire from Wah Yeung (i) the Modern China Sale Share; and (ii) the HY Products Sale Shares and HY Products Shareholder's Loan.

2. Solartech Enterprises Agreement

Date : 5 December 2008

Parties

Vendor : Chau's Industrial
Purchaser : Hua Yi
Guarantor : Solartech

Chau's Industrial is a company incorporated in the BVI and a wholly-owned subsidiary of Solartech. Chau's Industrial is principally engaged in investment holding activities.

Subject matter of the Solartech Enterprises Agreement

Pursuant to the Solartech Enterprises Agreement, Hua Yi agreed to acquire from Chau's Industrial the Solartech Enterprises Sale Shares and Solartech Enterprises Shareholder's Loan.

3. Fund Resources Agreement

Date : 5 December 2008

Parties

Vendor : Chau's Electrical
Purchaser : Hua Yi
Guarantor : Solartech

Chau's Electrical is a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of Solartech. Chau's Electrical is principally engaged in the manufacture and trading of electrical cable and wire products and investment holding.

Subject matter of the Fund Resources Agreement

Pursuant to the Fund Resources Agreement, Hua Yi agreed to acquire from Chau's Electrical the Fund Resources Sale Shares and Fund Resources Shareholder's Loan.

4. Set-off Deed

Date : 5 December 2008

Parties : Solartech
Chau's Industrial
Chau's Electrical
Hua Yi
Wah Yeung

Subject matter of the Set-off Deed

Pursuant to the Set-off Deed, the Parties agreed to facilitate the settlement of the considerations payable by the relevant purchasers under the Sale and Purchase Agreements by certain set-off arrangements as more particularly described below.

Consideration

The following amounts are payable by the relevant purchaser to the relevant Sale and Purchase Agreement at Completion:

- The HY Subsidiaries Consideration amounting to approximately HK\$189.6 million (subject to the set-off arrangement and adjustments referred to below) will be payable by Solartech to Wah Yeung. This consideration has been agreed upon by the Parties based on (i) the combined net asset value of the Modern China Group and the HY Products Group of approximately HK\$82.0 million to be held by the Hua Yi Sale Companies at Completion; and (ii) the principal amount of the HY Products Shareholder's Loan of approximately HK\$107.6 million as at 31 October 2008.
- The Solartech Enterprises Consideration amounting to approximately HK\$101.0 million (subject to the set-off arrangement and adjustments referred to below) will be payable by Hua Yi to Chau's Industrial. This consideration has been agreed upon by the Parties based on (i) the net asset value of the Solartech Enterprises Group of approximately HK\$11.0 million to be held by the Solartech Enterprises Group at Completion; and (ii) the principal amount of the Solartech Enterprises Shareholder's Loan of approximately HK\$90.0 million as at 31 October 2008.
- The Fund Resources Consideration amounting to approximately HK\$77.1 million (subject to the set-off arrangement and adjustments referred to below) will be payable by Hua Yi to Chau's Electrical. This consideration has been agreed upon by the Parties based on (i) the net asset value of the Fund Resources Group of approximately HK\$26,000 to be held by the Fund Resources Group at Completion; and (ii) the principal amount of the Fund Resources Shareholder's Loan of approximately HK\$77.1 million as at 31 October 2008.

Set-off arrangement

Completion of the Sale and Purchase Agreements is intended to take place simultaneously. Pursuant to the terms of the Set-off Deed, the payment obligation of Solartech for the HY Subsidiaries Consideration shall be set-off against the payment obligation of Hua Yi for the aggregate of the Solartech Enterprises Consideration and the Fund Resources Consideration with the difference to be settled in cash. Accordingly, at Completion, Solartech shall pay approximately HK\$11.5 million in cash to Hua Yi being the cash difference after such set-off, subject to the Adjustments below. Each of Solartech and Hua Yi intends that any cash consideration received by it under the Asset Swap will be utilized as its general working capital.

Adjustments to consideration paid

The consideration paid at Completion shall be subject to the Adjustments to be determined following delivery of the Completion Accounts on the Hua Yi Sale Companies and Solartech Sale Companies respectively, so that the ultimate consideration paid by Solartech will be equal to the sum of the combined net asset value of the Hua Yi Sale Companies and the HY Products Shareholder's Loan, and the ultimate consideration paid by Hua Yi will be equal to the sum of the combined net asset value of the Solartech Sale Companies, the Solartech Sale Companies Shareholder's Loan, as such are recorded in the Completion Accounts. Any amount of consideration paid at Completion in excess of the sum of the combined net asset value and shareholder's loan for the relevant sale company as shown in the Completion Accounts shall be repaid by the relevant vendor to the relevant purchaser in cash on a dollar to dollar basis. In the case of shortfall, the relevant purchaser shall pay the amount of shortfall to the relevant vendor in cash on a dollar to dollar basis.

Conditions precedent to the Sale and Purchase Agreements

Completion of each of the Sale and Purchase Agreements is subject to, among other things, the satisfaction of the following conditions precedent:

- a. the obtaining by Solartech of the approval of the Solartech Shareholders of the Agreements and the transactions contemplated thereunder in accordance with the Listing Rules;
- b. the obtaining by Hua Yi of the approval of Hua Yi Independent Shareholders of the Agreements and the transactions contemplated thereunder in accordance with the Listing Rules;
- c. each of the Sale and Purchase Agreements having become unconditional in all respects;
- d. the execution of the Set-off Deed by all parties thereto;
- e. the relevant consents having been obtained from the bank financiers of the Solartech Sale Companies, the Hua Yi Sale Companies and/or their respective subsidiaries and the relevant guarantor and/or vendor being released from its/their obligations under the guarantees or securities given by it/them to such bank financier to secure the payment obligations of the Solartech Sale Companies, the Hua Yi Sale Companies and/or their respective subsidiaries;
- f. the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver having been approved by the Solartech Independent Shareholders in accordance with the requirements of the Listing Rules;
- g. the Underwriting Agreement not having been terminated in accordance with its terms as at Completion;

- h. the Hua Yi Placing and the Hua Yi Placing Agreement having been approved by the Hua Yi Independent Shareholders in accordance with the requirements of the Listing Rules and the Hua Yi Placing having been completed in accordance with the terms of the Hua Yi Placing Agreement with all the Hua Yi Placing Shares duly placed;
- i. the Whitewash Waiver having been duly granted by the Executive; and
- j. the warranties under the relevant Sale and Purchase Agreement remaining true, accurate and not misleading as at the date of that Sale and Purchase Agreement and at the time immediately before Completion.

The Sale and Purchase Agreements do not provide for the waiver of conditions (a) to (e) and (h) above, whereas condition (f), (g) and (i) can be waived by Solartech and condition (j) can be waived by the relevant purchaser to the Sale and Purchase Agreements. As at the date of this announcement, save for condition (d), none of the above conditions has been fulfilled.

COMPLETION

Subject to all conditions being fulfilled and/or waived, Completion shall take place on the third Business Day after the fulfilment or waiver (as the case may be) of all the conditions referred to above (other than (g) and (j)) provided such date shall not be later than 15 March 2009 or such other date as the Parties may agree.

INFORMATION ON SOLARTECH AND HUA YI

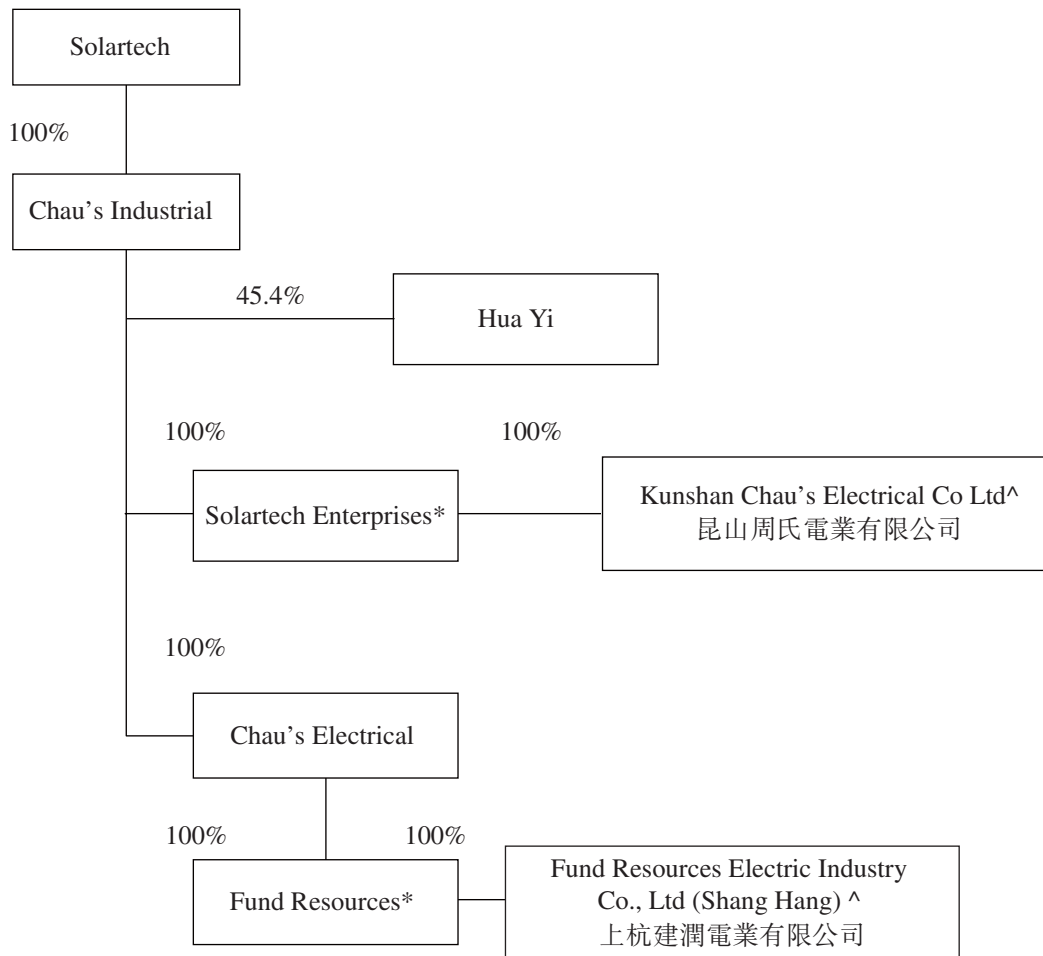
Solartech is an investment holding company and the Solartech Group is principally engaged in the manufacture and trading of cables and wires for use in household electrical appliances and electronic products, connectors and terminals and wire harnesses. As at the date of this announcement, Solartech owns approximately 45.4% of the issued share capital of Hua Yi.

Hua Yi is an investment holding company and the Hua Yi Group is principally engaged in the manufacture and trading of copper rods and copper wires in the PRC and Hong Kong. Products manufactured and sold by Hua Yi include copper rods of various diameters and copper wires with tinsel, enamel or tin coating, which are used primarily in producing power cables and wires for use in household electrical appliances and electronic products, connectors and terminals and wire harnesses. The Hua Yi Group sells copper wires to the Solartech Group in its ordinary and normal course of business on normal commercial terms. Details of such supply transactions were disclosed in the circular of Hua Yi dated 13 June 2007 as continuing connected transactions of Hua Yi. The Hua Yi Group is also engaged in iron ore mining and the manufacture and sale of iron ore concentrated powder.

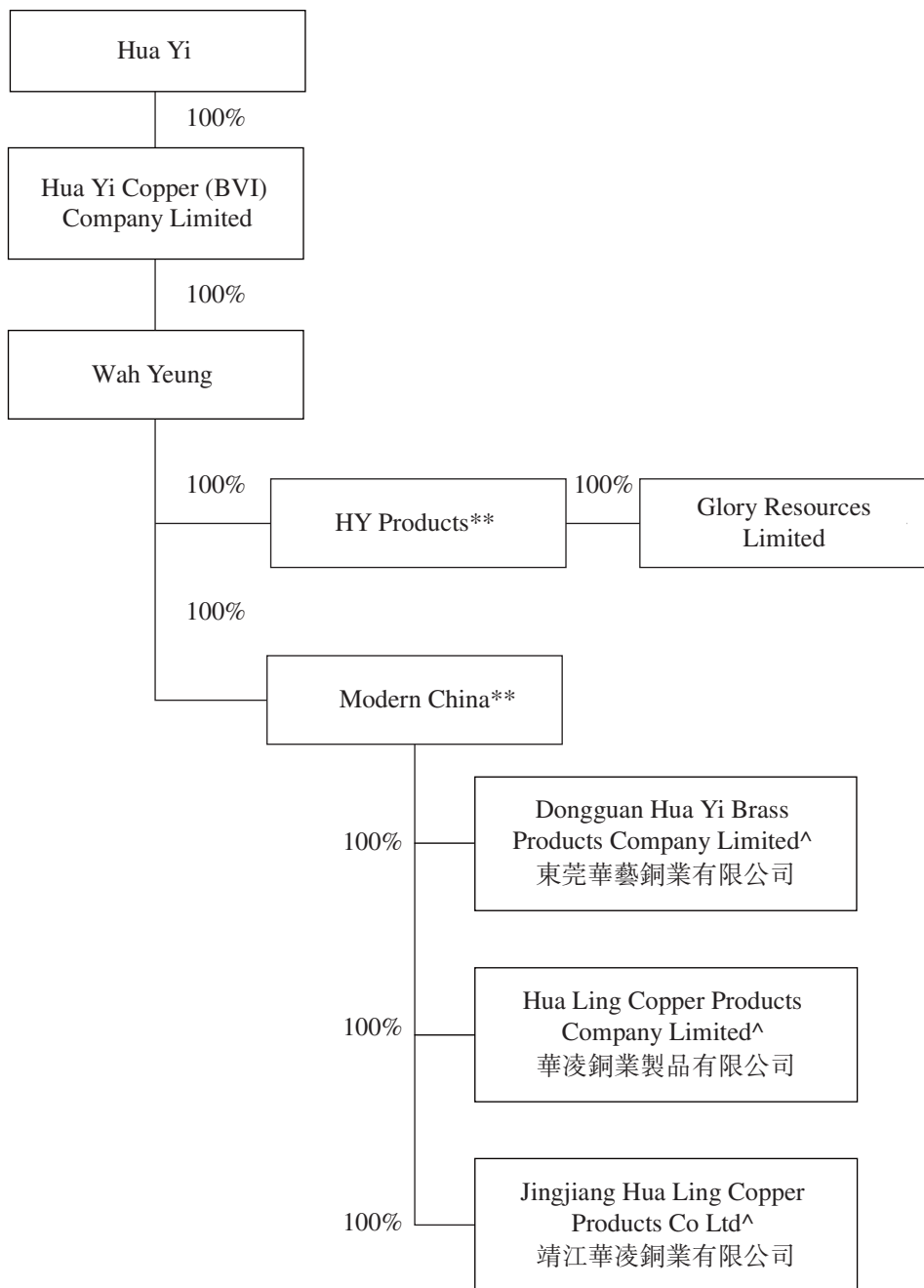
The simplified structures of the Solartech Group and Hua Yi Group before and immediately upon Completion are as follows:

Before Completion

(i) *Solartech Group*



(ii) *Hua Yi Group*



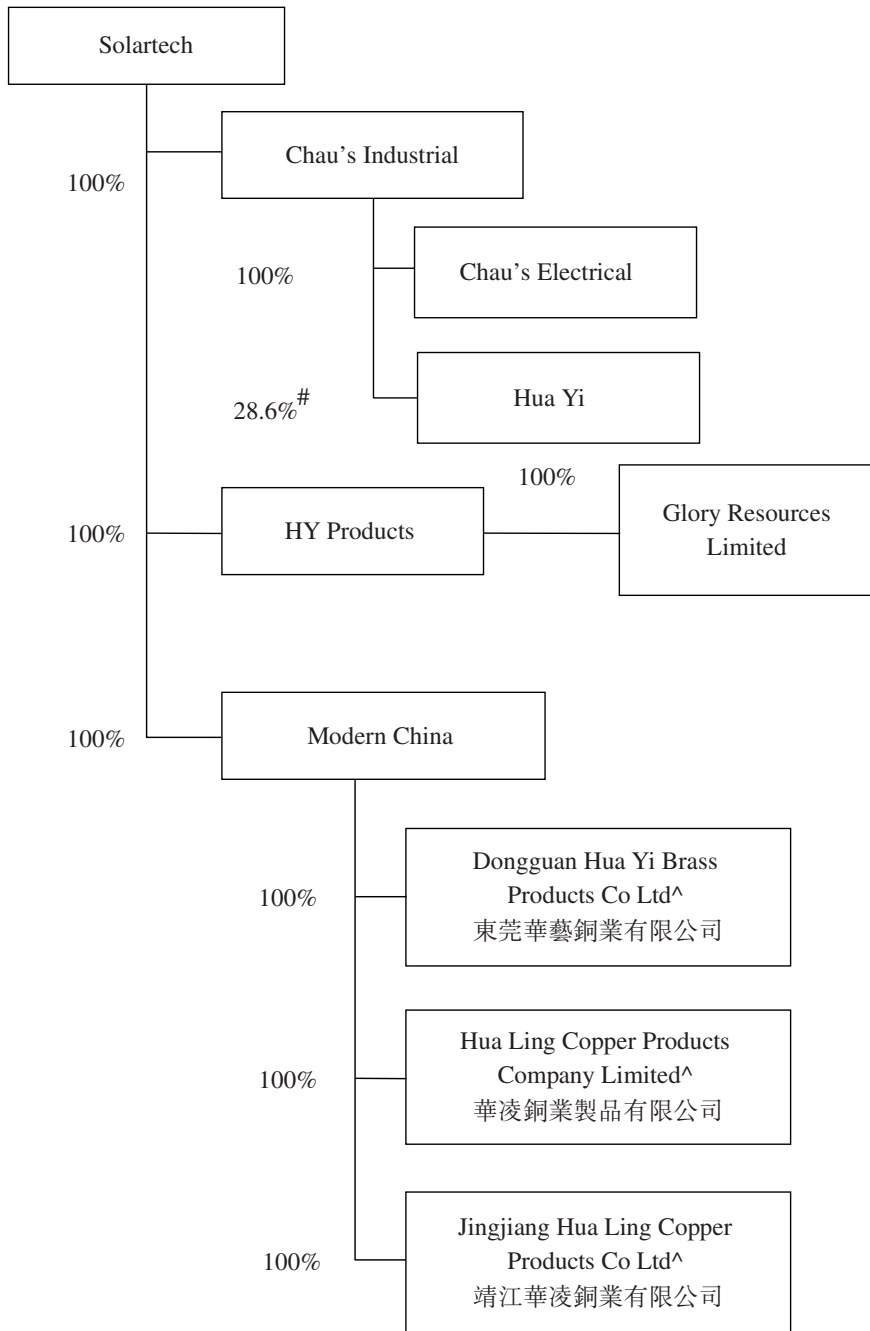
* *Solartech Sale Companies – Solartech Enterprises and Fund Resources together with their respective subsidiaries will be sold to Hua Yi on Completion*

** *Hua Yi Sale Companies – Modern China and HY Products together with their respective subsidiaries will be sold to Solartech on Completion*

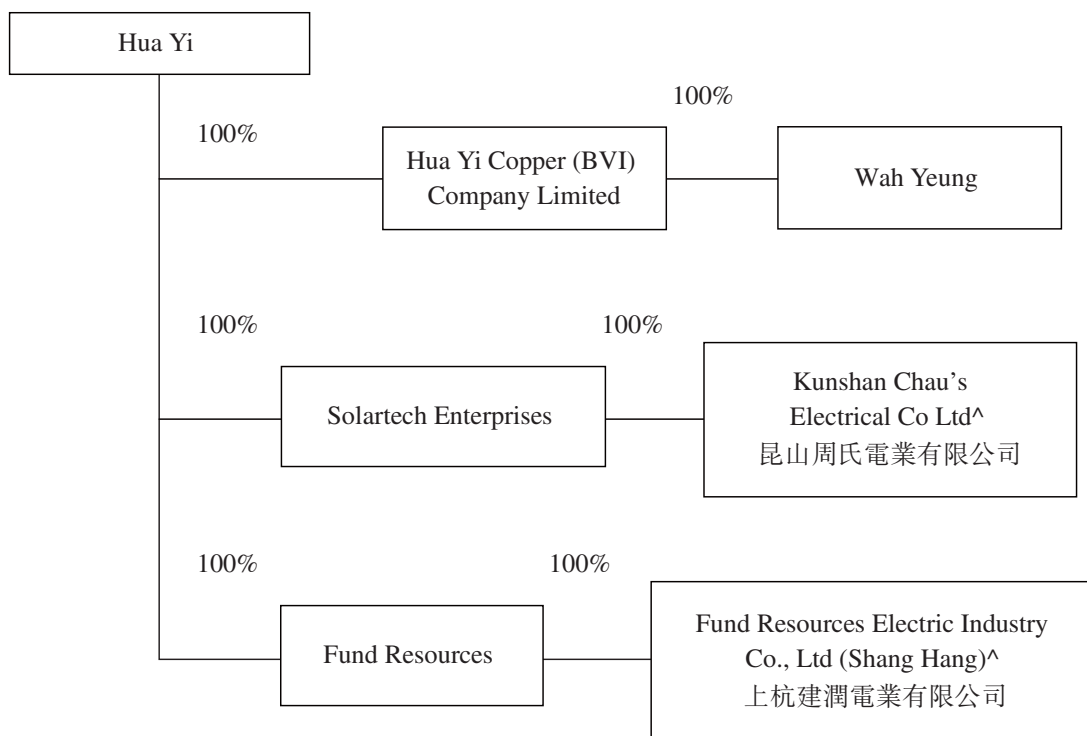
^ *For identification purposes only*

Immediately upon Completion

(i) Solartech Group



(ii) *Hua Yi Group*



The percentage assumes completion of the Hua Yi Placing.

^ *For identification purposes only*

INFORMATION ON THE SALE GROUP

Hua Yi Sale Companies

Both the Modern China Group and the HY Products Group are principally engaged in the manufacturing of copper rod and copper wire products in Dongguan of Guangdong Province, the PRC and the trading of copper rod and copper wire products in Hong Kong.

Set out below is the audited combined financial information of Hua Yi Sale Companies based on the audited financial information of the Modern China Group and the HY Products Group prepared in accordance with the Hong Kong Financial Reporting Standards for the two years ended 30 June 2008:

	For the year ended	
	30 June 2008	30 June 2007
	(audited)	(audited)
	HK\$ million	HK\$ million
Revenue	2,654.2	2,383.6
Profit before taxation	29.7	13.4
Profit after taxation	20.9	14.2

As at 30 June 2008, (i) the audited combined net asset value of Hua Yi Sale Companies was approximately HK\$224.8 million; and (ii) the total shareholder's loans owed by the Hua Yi Sale Companies to Hua Yi or its other subsidiaries were approximately HK\$102.2 million.

Upon Completion, the Hua Yi Sale Companies will become wholly-owned subsidiaries of Solartech and the accounts of the Hua Yi Sale Companies will be consolidated into the Solartech Group's consolidated accounts. The Hua Yi Sale Companies will cease to be subsidiaries of Hua Yi and the assets, liabilities and financial results of the Hua Yi Sale Companies will no longer be consolidated into the consolidated accounts of Hua Yi.

Solartech Sale Companies

The Fund Resources Group is principally engaged in the manufacturing of electrical cables and wires in Shang Hang of Fujian Province, the PRC.

The Solartech Enterprises Group is principally engaged in the manufacturing of electrical cables and wires in Kunshan city of Jiangsu Province, the PRC.

Set out below is the audited combined financial information of the Solartech Sale Companies based on the audited financial information of the Solartech Enterprises Group and the Fund Resources Group prepared in accordance with the Hong Kong Financial Reporting Standards for the two years ended 30 June 2008:

	For the year ended	
	30 June 2008	30 June 2007
	(audited)	(audited)
	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue	172.7	30.5
Profit/(loss) before taxation	1.2	(6.9)
Profit/(loss) after taxation	1.2	(6.9)

As at 30 June 2008, (i) the audited combined net asset value of Solartech Sale Companies was approximately HK\$3.3 million; and (ii) the total shareholder's loans owed by Solartech Sale Companies to Solartech or its other subsidiaries were approximately HK\$166.6 million.

Upon Completion, Solartech Sale Companies will become wholly-owned subsidiaries of Hua Yi and the accounts of Solartech Sale Companies will be consolidated into the Hua Yi Group's consolidated accounts. Solartech Sale Companies will cease to be subsidiaries of Solartech and the assets, liabilities and financial results of Solartech Sale Companies will no longer be consolidated into the consolidated accounts of Solartech.

Given that (i) the ultimate consideration payable by Solartech and Hua Yi under the Asset Swap will be equal to the net asset value of the relevant sale group on the date of Completion, with the benefit of the Adjustments mechanism, and (ii) the assignments of the shareholder's loans of the relevant sale group are on a dollar for dollar basis, it is expected that save for the professional fees and other costs and expenses relating and/or incidental to the Agreements, there will be no gain or loss incurred by either Solartech or Hua Yi as a result of the Asset Swap.

REASONS FOR THE ASSET SWAP

The objective of the Asset Swap is to rationalise the business of the Solartech Group and the Hua Yi Group with a view to optimising the operational efficiency of each group, and improving their respective profitability, and in the case of Hua Yi, reducing the working capital requirements of the Hua Yi Group after Completion.

The production bases of the Solartech Group for cables and wires in the PRC are located in Dongguan of Guangdong Province, Kunshan of Jiangsu Province and Shang Hang of Fujian Province. Similarly, the Hua Yi Group has also established its production bases in Dongguan, Kunshan and Shang Hang in close proximity to the factory facilities of the Solartech Group in the same city. The factory facilities of the Solartech Group and the Hua Yi Group in Dongguan have been the traditional production bases for the two groups, until 2006 and 2007 when both Solartech and Hua Yi set up their own new factories in Kunshan and Shang Hang respectively. Solartech and Hua Yi had decided to enhance their production capabilities of the new factories in Kunshan and Shang Hang with a view to capturing new business opportunities in the Yangtze River Delta Region, when more and more manufacturers of electrical appliances, electronics products and/or related raw material and parts locate their manufacturing facilities in the region.

The Kunshan and Shang Hang factories of the Solartech Group, which are operated by the Solartech Sale Companies, manufacture and sell electrical cables and wires similar to that of the Dongguan factory, under the same product specifications and manufacturing flow and procedures.

The Dongguan factory facilities of Hua Yi, which are operated by the Hua Yi Sale Companies, manufacture copper rods and copper wires from copper cathodes, with a monthly output of approximately 3,600 tonnes. These copper rods and wires are mostly sold to manufacturers of power wires and cables for home electrical appliances and electronic products. The Solartech Group is one of the major customers of the Hua Yi Group accounting for approximately 11% of the total sale of copper rods and wires of the Hua Yi Group. The Kunshan factory of Hua Yi primarily manufactures high value-added downstream products, including annealed copper wire, in-coated copper wires, stranded copper wires and copper wires of different specifications and has a designed output capacity of 10,000 tonnes per annum. Commencing operation in 2008, the Shang Hang new factory of Hua Yi has a designed output capacity of 10,000 tonnes of copper pipes for use in refrigerators, air-conditioners and as construction materials. Unlike the Dongguan factory, the Kunshan and Shang Hang factories of Hua Yi do not manufacture copper rods for sale. They purchase copper rods for manufacture of downstream products as referred above. The operation cash outlays of Hua Yi Dongguan factory is much higher than that of its Kunshan and Shang Hang factories as the raw material cost of each lot of copper cathodes (minimum purchase order of 250 tonnes) is about 25 times higher than that of each lot of copper rods (minimum purchase order of 10 tonnes). In the circumstances, the Dongguan factory requires relatively larger working capital, which is substantially financed by bank trade finance facilities, to support its operation needs. As at 30 June 2008, the total bank borrowings supporting the Dongguan operation of Hua Yi amounted to approximately HK\$549.6 million, out of the total bank borrowings of the entire Hua Yi Group of approximately HK\$599.3 million.

In view of the rapid deterioration of and, possibly, recessionary impacts on, the global economy as triggered by the financial market turmoil that occurred in the last quarter of 2008, Solartech and Hua Yi are cautious about the outlook of the export markets for electrical and electronic consumer products of the PRC and Hong Kong manufacturers, of which they are one. Both companies consider it is imperative to consolidate their respective markets, and to improve the operational efficiency of each company by reducing overheads and centralizing management resources. To this end, the Asset Swap is proposed to rationalise the sourcing and supplying structure of the Solartech Group and the Hua Yi Group. Following Completion, the Solartech Group will own and operate the production bases in Dongguan for both the manufacture of copper rods and the manufacture and sale of the cables and wires, whereas the Hua Yi Group will own and operate the production bases in Kunshan and Shang Hang for both the manufacture of copper rods and wires and the manufacture and trading of the cable and wires.

Solartech and Hua Yi consider that after the re-grouping of businesses by geographical location as described above, each of them will potentially benefit from enhancement in the operational efficiency through consolidation under same management of production facilities located in close proximity to each other. The benefits will include savings in costs, where the management will have a greater flexibility in allocating and mobilizing the available resources, in particular labour resources, within the same production base, as well as centralizing the banking resources of production bases within the same location under the same group to allow more effective use of external financings. Hua Yi will further benefit from a significant reduction in its bank borrowings. As at 30 June 2008, being the date to which the last audited financial statements of Hua Yi were drawn up, the Hua Yi Group's gearing ratio was 0.85, calculated as a ratio of total bank borrowings of approximately HK\$599 million to total equity of approximately HK\$707 million. In light of the credit crunch that is currently gripping the world economy, the Hua Yi Group considers it necessary to reduce its borrowing level to a comfortable level in order to maintain its liquidity. Successful completion of the Asset Swap will have the effect of significantly reducing the Hua Yi Group's gearing ratio.

On the other hand, although completion of the Asset Swap would increase the gearing of the Solartech Group, the Solartech Group has a large equity base and is able to support a higher leverage for its operation. As at 30 June 2008, being the date to which the last audited financial statements of Solartech were drawn up, the Solartech Group's gearing ratio was 0.17, calculated as a ratio of total bank borrowings of approximately HK\$180 million to total equity of approximately HK\$1,079 million. The Solartech Directors consider that the gearing position of the Solartech Group after Completion is comfortably manageable, taking account of the prevailing banking and finance market conditions.

Following Completion, in addition to its core business in electrical cables and wires manufacturing and trading, the Solartech Group will have under its direct ownership, management and operation the copper rods and copper wires manufacturing business that will have been acquired from the Hua Yi Group. As stated in the 2008 annual report of Solartech, Hua Yi used to be a non-wholly owned subsidiary of Solartech until 22 April 2008 when Solartech's interest in Hua Yi were reduced from 51.2% to 45.4% as a result of the issuance of 100 million new shares by Hua Yi as consideration for an asset acquisition. Accordingly, the Solartech Group has the necessary experience to manage the copper rod and copper wire business. As a result of the acquisition of the Hua Yi Sale Companies, the Solartech Remaining Group will have a vertical integration of its business from producing copper rods and wires, to manufacture of cables and wires. Sourcing from the Hua Yi Group will not be needed in future.

Regarding the Hua Yi Group, following Completion, in addition to its core business in manufacturing of copper rods and copper wires, it will have under its direct ownership, management and operation the electrical cables and wires business that it will have acquired from the Solartech Group. As Hua Yi will remain as an associated company of Solartech, Hua Yi is confident that it can continue to share the networking and technical support of the Solartech Group on the new business. As mentioned above, there will not be any future tradings between the Solartech Remaining Group and the Hua Yi Group after Completion. As a result, following Completion, the continuing connected transaction as disclosed in the circular of Hua Yi dated 13 June 2007 will cease.

The terms and conditions of the Agreements were arrived at after arm's length negotiation between the Parties. The Solartech Directors consider that the terms of the Agreements to be fair and reasonable and that the Asset Swap is in the interests of Solartech and the Solartech Shareholders as a whole.

The Hua Yi Directors (excluding Mr. Lee Kin Keung, an independent non-executive director of Hua Yi who will express his views after receiving advice from Veda) consider the terms of the Agreements to be fair and reasonable and that the Asset Swap is in the interests of Hua Yi and the Hua Yi Shareholders as a whole.

POST-COMPLETION MATTERS

License Agreement

Solartech Sale Companies have been using some of the trademarks (the "Trademarks") owned by Chau's Electrical (the present intermediate holding company of Fund Resources) and Gosberton, a wholly-owned subsidiary of Solartech, in their usual course of business to manufacture and distribute the Products. Upon Completion, Solartech Sale Companies will become subsidiaries of Hua Yi. Under the terms of the Solartech Enterprises Agreement and the Fund Resources Agreement, (i) Chau's Electrical and Gosberton as licensors on the one part; and (ii) Solartech Enterprises and its subsidiary, Fund Resources and its subsidiary as licensees on the other part, will enter into the License Agreement at Completion, pursuant to which the licensors will grant to each licensee a non-exclusive license to use the Trademarks in Hong Kong, the United States of America and the PRC solely to manufacture, process, distribute, supply, market and sell the Products for a period of 18 months from the date of the License Agreement. The licensees agree to pay to the licensors HK\$1 as the royalty fee for the license granted.

Should the licensees intend to renew the License Agreement upon its expiry, the licensees shall give notice in writing to the licensors of no less than three months prior to the expiration of the original term of the License Agreement and the parties to the License Agreement shall negotiate the renewal in good faith on same terms and conditions of the License Agreement, except that the royalty fee shall be revised and determined by the parties with reference to fair market value at that time. Solartech and Hua Yi will comply with the applicable requirements under the Listing Rules in respect of the renewal in due course.

The License Agreement is part and parcel of the Solartech Enterprises Agreement and the Fund Resources Agreement. Most of the electrical cable and wire products of the Solartech Enterprise Group and the Fund Resources Group are sold under the Trademarks. As the Solartech Sale Companies are sold to Hua Yi as a going concern, in order to facilitate the transition of the business after the change in ownership from Solartech to Hua Yi, Hua Yi has requested for, and Solartech has agreed to grant, the non-exclusive license for the licensees to continue to use the Trademarks on their future products after Completion so that the licensees may continue with their businesses with their existing customers and in the meantime develop and establish new trademarks during the license period.

The entering into of the License Agreement is a connected transaction for Hua Yi under the Listing Rules. Each of Solartech and Hua Yi will put forward the License Agreement to their respective shareholders for approval at their respective general meeting as part and parcel of the transactions under the Asset Swap. Hua Yi will comply with the applicable requirements of Chapter 14A of the Listing Rules.

Settlement of outstanding trade receivables and payables

The subsidiary of Solartech Enterprises currently supplies goods and materials to Chau's Electrical in its ordinary and usual course of business on normal commercial terms.

Solartech and Hua Yi intend that the supply arrangements should cease on Completion and it is agreed that the outstanding trade balance on the date of Completion should not exceed HK\$30 million (the "Cap"). The outstanding trade payable/receivable on date of Completion shall be settled in accordance with their normal trade terms, with a credit period of 90 days or less. Accordingly, the outstanding trade balance should be settled within 90 days from Completion.

The outstanding trade balances, if any, on the date of Completion will constitute a connected transaction of Hua Yi upon Completion under Chapter 14A of the Listing Rules and subject to Hua Yi Independent Shareholders' approval at the Hua Yi SGM together with the Asset Swap.

Save for the settlement of the outstanding trade receivables and payables, the Solartech Directors and the Hua Yi Directors confirm that they do not intend that there will be any further supply or trading relationship between the Solartech Group and the Hua Yi Group after Completion.

PROPOSED SOLARTECH OPEN OFFER

Issue statistics

Basis of the Solartech Open Offer	:	Four (4) Solartech Open Offer Shares for every Solartech Share held on the Record Date
Number of Solartech Shares in issue	:	603,654,362 Solartech Shares as at the date of this announcement
Number of Solartech Open Offer Share (see explanatory note below)	:	2,414,617,448 Solartech Open Offer Shares
Subscription price	:	HK\$0.027 per Solartech Open Offer Share
Enlarged issued share capital upon completion of the Solartech Open Offer	:	3,018,271,810 Solartech Shares

Explanatory note

- (a) The number of Solartech Open Offer Shares was determined under the assumption that no new Solartech Shares will be issued after the date of this announcement and up to the Record Date.
- (b) The number of 2,414,617,448 Solartech Open Offer Shares represents:
 - (i) 400% of Solartech's existing issued share capital; and
 - (ii) 80% of Solartech's issued share capital as enlarged by the issue of the Solartech Open Offer Shares.

As at the date of this announcement, Solartech has no outstanding options, warrants or convertible securities in issue which confer a right to subscribe for, convert or exchange into Solartech Shares.

Qualifying Shareholders

Solartech will send the Prospectus Documents to the Qualifying Shareholders only. For the Non-Qualifying Shareholders, Solartech will send copies of the Prospectus to them for their information only, but Solartech will not send any Application Form to the Non-Qualifying Shareholders.

To qualify for the Solartech Open Offer, a Solartech Shareholder must be registered as a member of Solartech at the close of business on the Record Date and must be a Qualifying Shareholder.

In order to be registered as members of Solartech at the close of business on the Record Date, Solartech Shareholders must lodge any transfers of Solartech Shares (together with the relevant share certificates) with Solartech's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on the date to be announced by Solartech in due course.

The Record Date and the dates for the closure of the register of members of Solartech will be announced by Solartech in due course. No transfers of Solartech Shares will be registered during the book closure period.

Subscription price

The subscription price for the Solartech Open Offer Shares is HK\$0.027 per Solartech Open Offer Share, payable in cash in full upon application. The subscription price represents:

- (i) a discount of approximately 51% to the closing price per Solartech Share of HK\$0.055 as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 51% to the average of HK\$0.0552 of the closing prices of each Solartech Share for the last 5 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iii) a discount of approximately 49% to the average of HK\$0.0533 of the closing prices of each Solartech Share for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Day; and
- (iv) a discount of approximately 17% to the theoretical ex-open offer price of HK\$0.0326 per Solartech Share calculated based on the closing price per Solartech Share on the Last Trading Day as referred to in (i) above.

The subscription price for the Solartech Open Offer Shares was determined after arm's length negotiations between Solartech and the Underwriter with reference to the current market price of the Solartech Shares and the volatile condition of the financial market. As the Solartech Open Offer Shares are offered to all Qualifying Shareholders, the Solartech Directors would like to set the subscription price at a level that would attract the Qualifying Shareholders to participate in the Solartech Open Offer. The Solartech Directors (excluding Mr. Lo Wai Ming, an independent non-executive director of Solartech whose opinion on the matter will be set forth in the Solartech Circular after having been advised by Kingsway in this regard) consider the terms of the Solartech Open Offer, including the subscription price, are fair and reasonable and in the interests of Solartech and the Solartech Shareholders as a whole.

Status of the Solartech Open Offer Shares

The Solartech Open Offer Shares, when allotted and fully paid, will rank pari passu in all respects with the Solartech Shares then in issue. Holders of the Solartech Open Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Solartech Open Offer Shares.

Rights of Non-Qualifying Shareholders

If at the close of business on the Record Date a Solartech Shareholder's address on the register of members of Solartech is in a place outside Hong Kong, that Solartech Shareholder may not take part in the Solartech Open Offer as documents to be issued in connection with the Solartech Open Offer will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda. The invitation to apply for Solartech Open Offer Shares to Non-Qualifying Shareholders may, without compliance with specific formalities in the place of residence of such Non-Qualifying Shareholders, be unlawful or impracticable. Accordingly, Non-Qualifying Shareholders will not be invited to participate in the Solartech Open Offer. Solartech will send the Prospectus (without Application Form) to Non-Qualifying Shareholders for their information only.

Solartech will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Solartech Open Offer Shares to Overseas Shareholders. If, based on legal opinions obtained by Solartech, the Solartech Directors consider that it is necessary or expedient not to offer the Solartech Open Offer Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place of his registered address or the requirements of the relevant regulatory body or stock exchange in that place, the Solartech Directors will exercise the discretion given to them under the bye-laws of Solartech to exclude such Overseas Shareholders from the Solartech Open Offer. A summary of the legal opinion regarding the rights of the Overseas Shareholders will be disclosed in the Prospectus.

No application for excess Solartech Open Offer Shares

After arm's length negotiations with the Underwriter, Solartech decided that the Qualifying Shareholders are not entitled to apply for any Solartech Open Offer Shares which are in excess of their assured entitlements. Independent shareholders' approval is required for the absence of excess application rights as more particularly described in the section headed "Underwriting arrangements" below.

Application for listing

Solartech will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Solartech Open Offer Shares to be allotted and issued pursuant to the Solartech Open Offer.

Dealings in the Solartech Open Offer Shares on the branch register of members of Solartech in Hong Kong will be subject to the payment of stamp duty in Hong Kong. The Solartech Shares are currently traded in board lots of 10,000 Solartech Shares each.

Underwriting arrangements

The Underwriting Agreement

As at the date of this announcement, Mr. Chau is, directly and indirectly beneficially interested in 132,692,000 Solartech Shares, representing approximately 22.0% of the existing issued share capital of Solartech. On 5 December 2008, Mr. Chau has irrevocably undertaken to Solartech that the Solartech Shares beneficially owned by him will not be disposed of from the date of the undertaking up to and including the Record Date. Subject to the underwriting arrangement by the Underwriter as referred to below, Mr. Chau has indicated that neither he/his associates will take up their assured entitlements under the Solartech Open Offer.

No Solartech Shareholder has indicated any intention to give an undertaking to take up any Solartech Open Offer Shares under the Solartech Open Offer. The Underwriter has agreed to fully underwrite all the 2,414,617,448 Solartech Open Offer Shares at a subscription price of HK\$0.027 per Solartech Open Offer Share. Mr. Chau is the owner of 74% of the issued share capital of the Underwriter. The remaining 26% of the issued share capital of the Underwriter is owned by Mr. Lau. Save for his interest as a substantial shareholder of the Underwriter, Mr. Lau is not a Solartech Shareholder and is otherwise an independent third party of Solartech, the Solartech Directors, the subsidiaries of Solartech, the directors and chief executive of Solartech's subsidiaries, and the respective associates. The Underwriting Agreement provides that the Underwriter will be obliged to subscribe or procure subscribers for any Underwritten Shares not taken up by the Qualifying Shareholders.

The entering into of the Underwriting Agreement between Solartech and the Underwriter is a connected transaction for Solartech under the Listing Rules as the Underwriter is an associate of Mr. Chau who is a director, chief executive and substantial shareholder of Solartech. Since no excess application of the Solartech Open Offer Shares is available, the absence of excess application must be specifically approved by the Solartech Independent Shareholders at the Solartech SGM on a vote by way of poll for the purpose of compliance with Rule 7.26A(2) of the Listing Rules.

The Underwriter has obtained an irrevocable loan facility in the amount of HK\$65 million from Kingston Securities for the sole purpose of financing the Underwriter to take up the Underwritten Shares it may be required to subscribe under the Underwriting Agreement. If the Underwriter makes a drawing under the said loan facility to take up any Underwritten Shares, all the new Solartech Open Offer Shares subscribed by and allotted to it shall, upon issue, be deposited with Kingston Securities as collateral for the facility. By reason of it being the financier of the Underwriter, Kingston Securities is a party presumed to be acting in concert with the Underwriter under the provision of the Takeovers Code.

Conditions of the Solartech Open Offer

The Solartech Open Offer is conditional on, among other things, each of the following conditions being fulfilled:

- a. the issue of this announcement (in the form approved by the Stock Exchange and (if applicable) the SFC) containing, among other matters, details of the Solartech Open Offer;
- b. Solartech despatching the Prospectus Documents (in the form approved by the Stock Exchange and (if applicable) the SFC) to the Solartech Shareholders containing, among other matters, details on the Solartech Open Offer, together with proxy form and notice of Solartech SGM;
- c. the Hua Yi Placing and the Hua Yi Placing Agreement having been approved by the Hua Yi Shareholders in accordance with the requirements of the Listing Rules and the Hua Yi Placing having been completed with all of the Hua Yi Placing Shares duly placed in accordance with the terms of the Hua Yi Placing Agreement;
- d. the passing by the Solartech Independent Shareholders (or, where appropriate, Solartech Shareholders) at the Solartech SGM of relevant resolutions to approve the Solartech Open Offer (including, but not limited to, the Whitewash Waiver, and the exclusion of the offer of the Solartech Open Offer to the Non-Qualifying Shareholders), the Underwriting Agreement and the transactions contemplated thereunder by no later than the Prospectus Posting Date;
- e. the granting by the Executive of the Whitewash Waiver and the satisfaction of any conditions attached thereto;
- f. the Listing Committee having granted or having agreed to grant in principle (subject to such conditions as imposed by the Stock Exchange) the listing of and permission to deal in all the Solartech Open Offer Shares, and such listing and permission not subsequently being revoked or withdrawn prior to the latest time for termination;
- g. the filing and registration of all documents relating to the Solartech Open Offer, which are required by law to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance or in Bermuda in accordance with the relevant rules and regulations;
- h. (if required) the Bermuda Monetary Authority granting consent to the issue of the Solartech Open Offer Shares by no later than the Prospectus Posting Date;
- i. the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before 4:00 p.m. on the third Business Day after the Acceptance Time or such other time as may be agreed between Solartech and the Underwriter; and
- j. Completion in accordance with their respective terms by the parties thereto having taken place.

The Underwriting Agreement does not provide for the waiver of any of the above conditions.

Underwriting Commission

Solartech will pay the Underwriter an underwriting commission of 2.5% of the aggregate subscription price for the Underwritten Shares. Both Solartech and the Underwriter consider the underwriting commission is in line with the market rate. The Solartech Directors (excluding Mr. Lo Wai Ming, an independent non-executive director of Solartech whose opinion on the matter will be set forth in the Solartech Circular after having been advised by Kingsway in this regard) are also of the view that the commission is fair and reasonable.

Termination of the Underwriting Agreement

The Underwriter may at their sole and absolute discretion terminate the Underwriting Agreement by notice in writing given to Solartech at any time prior to 4:00 p.m. on the third Business Day after the Acceptance Time or such other time as may be agreed between Solartech and the Underwriter if there occurs any of the following events:

- a. the Underwriter becomes aware of the fact that there shall develop, occur, exist or come into effect:
 - i. any new law or regulation or any change in existing laws or regulations in Hong Kong or any other place that is the place of incorporation of Solartech, or in which Solartech conducts or carries on business; or
 - ii. any significant change (whether or not permanent) in local, national or international economic, financial, political or military conditions; or
 - iii. any act of God, war, riot, public disorder, civil commotion, epidemic or terrorism, and in the reasonable opinion of the Underwriter, such change has or would have a material and adverse effect on the business, financial or trading position of the Solartech Group taken as a whole; or
- b. there comes to the notice of the Underwriter that Solartech has committed any breach of or omits to observe any of its obligations or undertakings under the Underwriting Agreement, and such breach or omission will have a material and adverse effect of the success of the Solartech Open Offer.

If the Underwriter gives a notice of termination to Solartech in accordance with the terms of the Underwriting Agreement, any right or obligation of the parties under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that Solartech shall remain liable to pay to the Underwriter any reasonable legal fees and other reasonable out of pocket expenses of up to HK\$100,000 in respect of the Solartech Open Offer incurred by the Underwriter, and the 2.5% underwriting fee described above shall not be payable to the Underwriter if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriter pursuant to the Underwriting Agreement. If the Underwriter exercises its right to terminate the Underwriting Agreement, the Solartech Open Offer will not proceed.

WARNING OF THE RISKS OF DEALING IN SOLARTECH SHARES

If the Underwriter terminates the Underwriting Agreement, or the conditions of the Underwriting Agreement are not fulfilled, the Solartech Open Offer will not proceed.

Any Solartech Shareholder or other person dealing in Solartech Shares up to the date on which all conditions to which the Solartech Open Offer is subject are fulfilled will accordingly bear the risk that the Solartech Open Offer cannot become unconditional and may not proceed. Any Solartech Shareholder or other person contemplating selling or purchasing Solartech Shares who is in any doubt about his/her position is recommended to consult his/her own professional adviser.

Expected timetable

The expected timetable for the implementation of the Solartech Open Offer and the associated trading arrangements will be set out by Solartech in the Solartech Circular, and in a separate announcement to be issued upon the despatch of the Solartech Circular.

Reasons for the Solartech Open Offer and use of proceeds

Following Completion, the business of the Solartech Group will include the manufacture and sale of copper rods and copper wire products acquired from the Hua Yi Group, which operation requires relatively large working capital to finance. The proceeds from the Solartech Open Offer will strengthen the capital base of the Solartech Group for the development of the business regrouped under it.

The estimated net proceeds of the Solartech Open Offer will be approximately HK\$60.0 million. Solartech plans to use the net proceeds for general working capital.

The Solartech Open Offer is on a fully underwritten basis. This will remove to a certain degree, the completion risk associated with a fund raising exercise such as a private placement on a best-efforts basis. In addition, the Solartech Open Offer will not incur any interest expense burden to the Solartech Group if compared to bank borrowings. In the light of the present volatile capital market, it is preferable to use equity funding to meet the Solartech Group's capital requirements. Also, taking into account the recent stock market conditions, the Solartech Open Offer is likely to be the most equitable and preferred mode of securing such equity funding. The Solartech Directors (excluding Mr. Lo Wai Ming, an independent non-executive director of Solartech whose opinion on the matter will be set forth in the Solartech Circular after having been advised by Kingsway in this regard) believe that the Solartech Open Offer is in the interests of the Solartech Group and the Solartech Shareholders as a whole given that the Solartech Open Offer will increase the capital base of the Solartech Group.

PREVIOUS FUND RAISING EXERCISES OF SOLARTECH

Solartech has not conducted any fund raising exercises in the past 12 months immediately preceding the date of this announcement.

SHAREHOLDING STRUCTURE OF SOLARTECH

Pursuant to the Underwriting Agreement, Solartech has undertaken not to issue any new Solartech Shares or securities convertible into Solartech Shares, or agree to any of such issuance from the date of the Underwriting Agreement up to the Record Date. The table below depicts the possible shareholding structure of Solartech as at the date of this announcement and the possible changes upon completion of the Solartech Open Offer, on the basis of the public information available to Solartech on the date of this announcement and after the Solartech Directors having made reasonable enquiries:–

Solartech Shareholders	As at the date of this announcement		Upon completion of the Solartech Open Offer					
			Nil subscription by Solartech Shareholders (Note 1)		Nil subscription by Solartech Shareholders (Note 2)		100% subscription by Solartech Shareholders (Note 3)	
	Number of Solartech Shares	Approximate	Number of Solartech Shares	Approximate	Number of Solartech Shares	Approximate	Number of Solartech Shares	Approximate
Mr. Chau	132,692,000	21.98%	132,692,000	4.40%	132,692,000	4.40%	132,692,000	4.40%
Kingston Securities (Note 4)	1,100	0.0002%	1,100	0.0002%	1,100	0.0002%	5,500	0.0002%
The Underwriter	–	–	2,414,617,448	80.01%	2,131,010,757	70.60%	530,768,000	17.59%
Mr. Chau, the Underwriter and parties acting in concert with them (including Kingston Securities)	132,693,100	21.98%	2,547,310,548	84.40%	2,263,703,857	75.00%	663,465,500	21.98%
Other public Solartech Shareholders (Note 5)	470,961,262	78.02%	470,961,262	15.60%	754,567,953	25.00%	2,354,806,310	78.02%
Total	603,654,362	100.00%	3,018,271,810	100.00%	3,018,271,810	100.00%	3,018,271,810	100.00%

Notes:

1. Assuming no Qualifying Shareholders taking up their assured entitlement of the Solartech Open Offer Shares and all the Underwritten Shares taking up by the Underwriter.
2. Assuming immediately after the Underwriter taken up the Underwritten Shares, the Underwriter placed down the Solartech Open Offer Shares to maintain public float of Solartech.
3. Assuming all the Qualifying Shareholders (save and except for Mr. Chau and his associates) taking up all their assured entitlements of the Solartech Open Offer Shares.
4. Kingston Securities, being a party presumed to be acting in concert with the Underwriter under the provision of the Takeovers Code, is a public Solartech Shareholders in the perspective of the Listing Rules.

5. *The Solartech Shares held by other public Solartech Shareholders include the 5,000,000 Solartech Shares held by Ms. Li Yuet Fung, sister of Mrs. Chu, the controlling shareholder of Kingston Securities.*
6. *Hua Yi has no shareholding in Solartech.*

The 132,692,000 Solartech Shares held by Mr. Chau are under a security mortgage in favour of Kingston Finance Limited, which Mrs. Chu is a controlling shareholder. Kingston Securities, being a party presumed to be acting in concert with the Underwriters, holds 1,100 Solartech Shares as at the date of this announcement. Save as disclosed above, to the best of the knowledge, information and belief of the Solartech Directors after having made reasonable enquiries, (i) Kingston Finance Limited, Kingston Securities and their ultimate beneficial owners; (ii) Hua Yi; and (iii) Mr. Lau do not have any shareholding or interests in other securities in Solartech. As at the date of this announcement, there are no relevant securities in Solartech which Mr. Chau, the Underwriter and its ultimate beneficial owners and any parties acting in concert with them have borrowed or lent.

Public Float

There is the possibility that Mr. Chau and the Underwriter will hold in excess of 75% of the issued share capital of Solartech as a result of the Underwriter having to take up all or part of the Underwritten Shares pursuant to the Underwriting Agreement. In the event that the Qualifying Shareholders, other than Mr. Chau and his associates, together subscribe for less than 283,605,591 Solartech Open Offer Shares (representing approximately 11.7% of the total Solartech Open Offer Shares) such that the Underwriter is required to take up more than 2,131,011,858 Solartech Open Offer Shares, the number of Solartech Shares held by the public after the close of the Solartech Open Offer will fall short of the minimum public float of 25% presently prescribed on Solartech under the Listing Rules. The Underwriter and its shareholders, namely Mr. Chau and Mr. Lau, will, prior to the despatch of the Prospectus Documents by Solartech, enter into placing arrangements with independent securities firm(s) to place out to independent places not connected to or associated with the connected persons of Solartech such number of Underwritten Shares that is required to maintain the public float. Details of the placing arrangements will be included in the Prospectus.

WHITEWASH WAIVER

As at the date of this announcement, Mr. Chau, the Underwriter and parties acting in concert with them (including Kingston Securities) are interested in a total of 132,693,100 Solartech Shares representing approximately 22.0% of the issued share capital of Solartech. In the event that there are any Solartech Open Offer Shares not taken by the Qualifying Shareholders, the Underwriter will be required to subscribe for those untaken Solartech Open Offer Shares, which may result in Mr. Chau, the Underwriter and parties acting in concert with them holding 30% or more of the issued share capital of Solartech as enlarged by the issue of the Solartech Open Offer Shares. (As shown in the section headed “Shareholding structure of Solartech” above, the aggregate maximum shareholding in Solartech held by Mr. Chau, the Underwriter and parties acting in concert with them will be approximately 84.4% if there is no subscription by other Solartech Shareholders.) In the circumstances, an obligation on the part of the Underwriter to make a general offer for all the Solartech Shares not already owned or agreed to be acquired by Mr. Chau, the Underwriter and parties acting in concert with them may arise

as a result of the issue of the Underwritten Shares to the Underwriter. An application will be made by Mr. Chau and the Underwriter to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Solartech Independent Shareholders at the Solartech SGM by way of poll.

It is one of the conditions of the Underwriting Agreement that the Whitewash Waiver be granted by the Executive and approved by the Solartech Independent Shareholders at the Solartech SGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Solartech Independent Shareholders, the Underwriting Agreement will not become unconditional and the Solartech Open Offer will not proceed.

As at the date of this announcement, (i) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Solartech Shares or the shares of the Underwriter and which might be material to the Whitewash Waiver; and (ii) save for the Underwriting Agreement, there is no other agreement or arrangement to which the Underwriter is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Solartech Open Offer or the Whitewash Waiver.

Acquisition of voting rights by Mr. Chau

Paragraph 3 of Schedule VI of the Takeovers Code provides that the Executive will not normally waive an obligation under Rule 26 if there occurs any disqualifying transactions for such a waiver. Disqualifying transactions include, among others, a situation where the person seeking a waiver or any person acting in concert with him has acquired voting rights in the relevant company in the six months immediately prior to the announcement of the proposals but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of such company in relation to the relevant proposal.

On 10 July 2008 and 15 July 2008, Mr. Chau acquired an aggregate of 860,000 Solartech Shares on the market at average purchase price of HK\$0.315 per Solartech Share.

Although there has been on-market share purchases by Mr. Chau during the six-month period immediately prior to the date of this announcement as referred to above, these two transactions occurred prior to any negotiation, or discussion, or reaching of any understanding or agreement on matters as disclosed in this announcement. On this basis, the Solartech Directors consider that there has not occurred any disqualifying transactions in respect of the Whitewash Waiver. An application will be made by or on behalf of Mr. Chau and the Underwriter to the Executive to confirm that the aforementioned purchase of Solartech Shares by Mr. Chau will not constitute disqualifying transactions as provided in paragraph 3 of Schedule VI of the Takeovers Code.

Save for the purchase of 860,000 Solartech Shares by Mr. Chau on the market in July 2008 prior to the discussion and negotiation of the matters as disclosed in this announcement, Mr. Chau, the Underwriter and parties acting in concert with them (including Kingston Securities, Kingston Finance Limited and their ultimate beneficial owners, and Mr. Lau) have not dealt in the Solartech Shares or other convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Solartech Shares in the six-month period immediately prior to the date of this announcement.

HUA YI PLACING

On 5 December 2008, Hua Yi and the Placing Agent entered into the Hua Yi Placing Agreement pursuant to which the Placing Agent shall procure, on a best efforts basis, subscribers to subscribe for 104,000,000 Hua Yi Placing Shares, subject to the Capital Reorganisation becoming effective.

On 5 November 2008, Hua Yi proposed to put forward to the Hua Yi Shareholders the Capital Reorganisation. Pursuant to the Capital Reorganisation, the par value of each existing Hua Yi Share will first be reduced from HK\$0.20 to HK\$0.01, following which every five shares of HK\$0.01 each will be consolidated into one share of HK\$0.05. As at the date of this announcement, the authorised share capital of Hua Yi is HK\$300,000,000 divided into 1,500,000,000 Hua Yi Shares of par value HK\$0.20 each, and the issued share capital is HK\$177,061,300 divided into 885,306,500 Hua Yi Shares. Assuming there will be no change in the number of Hua Yi Shares after the date of this announcement, following the implementation of the Capital Reorganisation (which is expected to be on or about 16 December 2008), the authorised share capital of Hua Yi will be HK\$300,000,000 divided into 6,000,000,000 Hua Yi Consolidated Shares of par value HK\$0.05 each, and the issued share capital will be HK\$8,853,065 divided into 177,061,300 Hua Yi Consolidated Shares of par value HK\$0.05 each. Details of the Capital Reorganisation is set out in the circular of Hua Yi dated 20 November 2008.

Date of the Hua Yi Placing Agreement

5 December 2008

Parties

- (i) Hua Yi, as issuer; and
- (ii) Kingston Securities, as placing agent.

The Placing Agent is a corporation licensed to carry on type 1 regulated activities (dealing in securities) under the Securities and Futures Ordinance. To the best of Hua Yi Directors' knowledge, information and belief after making reasonable enquiries, save for the loan facility granted by the Placing Agent to the Underwriter for the latter to take up any untaken Underwritten Shares of Solartech under the Solartech Open Offer as referred to in the paragraph headed "Underwriting arrangements" above, the Placing Agent and its ultimate beneficial owners are third parties independent of Hua Yi and its connected persons. As at the date of this announcement, save for the 10,000,000 Hua Yi Shares owned by Best China Limited, a company wholly-owned by Mrs. Chu, the Placing Agent and its ultimate beneficial owner do not own any securities in Hua Yi.

Securities to be placed

Subject to fulfilment of the conditions precedent to the Hua Yi Placing Agreement, the Placing Agent agrees to procure, on a best efforts basis, subscribers to subscribe for 104,000,000 Hua Yi Placing Share, at a price of HK\$0.30 per Hua Yi Placing Share.

The Hua Yi Placing Shares will be allotted and issued under the specific mandate to be approved by the Hua Yi Shareholders at the Hua Yi SGM.

Placees

The Placing Agent undertakes to use its best endeavours to procure not less than six independent, institutional, corporate or individual investors for the Hua Yi Placing Shares. The Placing Agent has undertaken to (i) place only to placees not connected or acting in concert with any directors, chief executive or substantial shareholders of Hua Yi or its subsidiaries and their respective associates; (ii) ensure that none of the placees are acting in concert with the Placing Agent with respect to Solartech/Hua Yi; and (iii) ensure that none of the placees and their respective associates shall become a substantial shareholder of Hua Yi as a result of the subscription of the Hua Yi Placing Shares.

Placing commission

2.5% of the gross proceeds of the actual number of Hua Yi Placing Shares being placed.

Conditions of the Hua Yi Placing Agreement

The obligations of the parties to the Hua Yi Placing Agreement are conditional upon:

- (a) the Listing Committee granting or agreeing to grant (subject to allotment and/or despatch of certificates for the Hua Yi Placing Shares) the listing of, and permission to deal in all of the Hua Yi Placing Shares;
- (b) the passing of a resolution by the Hua Yi Shareholders to approve the allotment, issue and dealing with the Hua Yi Placing Shares and the Asset Swap at the Hua Yi SGM in accordance with the requirements of the Listing Rules;
- (c) the Capital Reorganisation taking effect;
- (d) the Solartech Open Offer and the Underwriting Agreement having been approved by Solartech Shareholders in accordance with the requirements of the Listing Rules;
- (e) the Whitewash Waiver having been duly granted by the Executive; and
- (f) the number of the Hua Yi Placing Shares actually placed being 104,000,000 Hua Yi Placing Shares.

Subject to all the above conditions being fulfilled, completion of the Hua Yi Placing, in any event, will take place within four business days after the fulfillment of the conditions (a) to (e) above and not later than 28 February 2009 or such later date to be agreed between Hua Yi and the Placing Agent.

If all the above conditions are not satisfied prior to 10:00 a.m. on the date of completion of the Hua Yi Placing, the Hua Yi Placing will be terminated and the Hua Yi Placing will not proceed and all obligations and liabilities of the parties under the Hua Yi Placing Agreement will forthwith cease and determine and no party will have any claim against the other under the Hua Yi Placing Agreement except for antecedent breaches.

Comparison of the Placing Price

The Placing Price of HK\$0.30 per Hua Yi Placing Share, which is equivalent to HK\$0.06 per Hua Yi Share before the Capital Reorganisation becoming effective, represents:

- (i) a discount of approximately 39% to the closing price of HK\$0.098 per Hua Yi Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 34% to the average of HK\$0.0916 of the closing prices of each Hua Yi Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 35% to the average of HK\$0.092 of the closing prices of each Hua Yi Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Placing Price was negotiated and determined on an arm's length basis between Hua Yi and the Placing Agent with reference to the closing prices as shown above. Given the large size of the Hua Yi Placing Shares involved (which represent approximately 58.7% of the existing Hua Yi Shares in issue (assuming the Capital Reorganisation has taken effect)), the Hua Yi Directors consider the relative discount of approximately 34% to the average closing price per Hua Yi Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day is fair and reasonable.

Application for listing

Application will be made by Hua Yi to the Stock Exchange for the granting of the listing of and permission to deal in the Hua Yi Placing Shares.

The proceeds from the Hua Yi Placing will strengthen the capital base of the Hua Yi Group for its further development of the business regrouped under it. The Hua Yi Directors intend that the estimated net proceeds of the Hua Yi Placing of approximately HK\$30.3 million will be utilized as general working capital of the Hua Yi Group.

PREVIOUS FUND RAISING EXERCISES OF HUA YI

Hua Yi has not conducted any fund raising exercises in the past 12 months immediately preceding the date of this announcement.

SHAREHOLDING STRUCTURE OF HUA YI

The following tables set out the shareholding structure of Hua Yi before and after the Hua Yi Placing (assuming that other than the Hua Yi Placing Shares, no Hua Yi Shares will be issued or repurchased by Hua Yi on or after the date of this announcement up to the date of completion of the Hua Yi Placing) on the basis of the public information available to Hua Yi on the date of this announcement and after the Hua Yi Directors having made reasonable enquiries:

	As at the date of this announcement		Upon Capital Reorganisation becoming effective		Upon Capital Reorganisation becoming effective and completion of Hua Yi Placing	
	Hua Yi Shares	Approximate	Consolidated Shares	Approximate	Consolidated Shares	Approximate
		percentage		percentage		percentage
Solartech	402,131,875	45.42%	80,426,375	45.42%	80,426,375	28.62%
Bellevue Global Limited (Note 1)	100,000,000	11.30%	20,000,000	11.30%	20,000,000	7.12%
Hua Yi Directors (Note 2)	2,894,000	0.33%	578,800	0.33%	578,800	0.21%
<i>Public</i>						
Kingston Securities and parties acting in concert with it (Note 3)	16,922,800	1.91%	3,384,560	1.91%	3,384,560	1.20%
Placees	–	–	–	–	104,000,000	37.00%
Other public Hua Yi Shareholders	363,357,825	41.04%	72,671,565	41.04%	72,671,565	25.86%
Total	<u>885,306,500</u>	<u>100.00%</u>	<u>177,061,300</u>	<u>100.00%</u>	<u>281,061,300</u>	<u>100.00%</u>

Notes:

- To the best of the knowledge, information and belief of the Hua Yi Directors after making reasonable enquiries, the ultimate beneficial owner of Bellevue Global Limited (“Bellevue”) is Ms. Xie Zhimin. Bellevue or its ultimate beneficial owner is not acting or presumed to be acting in concert with Mr. Chau, Mr. Lau or the Underwriter. Upon completion of the Hua Yi Placing, Bellevue will be regarded as a public shareholder of Hua Yi on the basis that its shareholding in Hua Yi will be diluted to less than 10% of the then issued share capital of Hua Yi and Bellevue will no longer be a substantial shareholder of Hua Yi.
- Being the Hua Yi Shares held by Mr. Chau, the Chairman and Managing Director of Hua Yi, as at the date of this announcement.
- The Hua Yi Shares held by Kingston Securities and parties acting in concert with it were held as to (i) 10,000,000 Hua Yi Shares by Best China Limited, a company wholly-owned by Mrs. Chu, the controlling shareholder of Kingston Securities; (ii) 2,446,800 Hua Yi Shares by Mr. Lee Wai Man, father of Mrs. Chu; and (iii) 4,476,000 Hua Yi Shares by Ms. Wong Lai Hop, sister-in-law of Mrs. Chu.
- Mr. Lau has confirmed to Hua Yi that he has no interest in any Hua Yi Shares.

EFFECT OF HUA YI PLACING ON SOLARTECH

As illustrated above, the shareholding of Solartech in Hua Yi will be diluted from approximately 45.4% to approximately 28.6% as a result of completion of the Hua Yi Placing (assuming no other changes in the share capital of Hua Yi and no other changes to Solartech's holdings in Hua Yi). On the basis of the audited consolidated net asset value of Hua Yi attributable to Hua Yi Shareholders of approximately HK\$704.4 million, Solartech would record an estimated loss on deemed disposal of Hua Yi Shares of approximately HK\$109.4 million as a result of completion of the Hua Yi Placing. The estimated loss on deemed disposal is a non-cash transaction for Solartech. Notwithstanding the amount of the estimated loss, the Solartech Directors consider that the Hua Yi Placing is in the interests of Hua Yi and its shareholders (including Solartech) as it will raise additional equity for Hua Yi and increase its liquidity in the midst of the tight credit environment of today's market. Having considered that Solartech will remain as the single largest shareholder of Hua Yi, the Solartech Directors expect Solartech to continue to have a significant influence over Hua Yi, where Solartech continues through its nominees on the board of directors of Hua Yi to participate in the financial and operating policy decisions of Hua Yi. On the above basis, the Solartech Directors consider that, on balance, the dilutive effect of the Hua Yi Placing and the loss on deemed disposal resulted from the Hua Yi Placing are acceptable. As further explained below, Solartech and its associates will abstain from voting on the resolution to be proposed at the Hua Yi SGM to approve the Hua Yi Placing as the Hua Yi Placing Agreement is deemed to be a connected transaction of Hua Yi.

GENERAL

The Agreements, the Solartech Open Offer and the Hua Yi Placing are each subject to the relevant requirements of reporting, announcement and approval by Solartech Independent Shareholders and Hua Yi Independent Shareholders pursuant to Chapters 14 and 14A of the Listing Rules, and the Takeovers Code, as the case may be.

Solartech

The HY Subsidiaries Agreement constitutes a very substantial acquisition for Solartech, while the Solartech Enterprises Agreement and the Fund Resources Agreement constitute a very substantial disposal for Solartech under the Listing Rules.

The Solartech Independent Board Committee comprising one independent non-executive director of Solartech, being Mr. Lo Wai Ming, has been established by Solartech to advise the Solartech Independent Shareholders on the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver. Kingsway has been appointed to advise the Solartech Independent Board Committee and the Solartech Independent Shareholders in this regard. The other two independent non-executive directors of Solartech being Messrs. Chung Kam Kwong and Lo Chao Ming, are also independent non-executive directors of Hua Yi. In view of the material interest of Hua Yi in the Asset Swap, the Solartech Directors consider it appropriate to exclude Messrs. Chung Kam Kwong and Lo Chao Ming from Solartech Independent Board Committee to avoid any potential conflicts of interest that may be perceived to occur relating to the roles of Messrs. Chung Kam Kwong and Lo Chao Ming.

The Solartech SGM will be convened for the purpose of considering and, if thought fit, approving, among other things, (i) the Agreements and the transactions contemplated under the Asset Swap; and (ii) the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver. The Underwriter, Mr. Chau (the Chairman and Managing Director of Solartech) and their respective associates and parties acting in concert with any of them and any parties involved or interested in the Solartech Open Offer, the Whitewash Waiver, the Agreements, the Asset Swap, the Underwriting Agreement and the Hua Yi Placing (including Mr. Lau, the Placing Agent and Kingston Finance Limited) will be required to abstain from voting in relation to the resolutions to approve, among other things, the Solartech Open Offer and the Whitewash Waiver, the Agreements and the transactions contemplated under the Asset Swap at the Solartech SGM, which will be voted upon by way of poll.

Pursuant to Rule 7.19(6)(a) of the Listing Rules, as Solartech has no controlling shareholder (as defined in the Listing Rules), the Solartech Directors (other than the independent non-executive directors of Solartech), being Mr. Chau, Mr. Zhou Jin Hua and Mr. Liu Jin Rong (all are executive directors), and their respective associates will also be required to abstain from voting in respect of the resolution(s) to be proposed at the Solartech SGM to consider and, if thought fit, approve the Solartech Open Offer. As at the date of this announcement, Mr. Chau and his associates are interested in 132,692,000 Solartech Shares, while Mr. Zhou Jin Hua, Mr. Liu Jin Rong and their respective associates do not have any interest in Solartech Shares.

Since no excess application of the Solartech Open Offer Shares is available and the Underwriter is an associate of Mr. Chau, the Underwriting Agreement constitutes a connected transaction of Solartech and must be specifically approved by the Solartech Independent Shareholders at the Solartech SGM on a vote by way of poll for the purpose of compliance with Rule 7.26A(2) of the Listing Rules.

Solartech will issue the Solartech Circular which will contain, among other things, (i) further details of the Agreements, the Asset Swap and transactions contemplated thereunder, the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver; (ii) letter from the Solartech Independent Board Committee; (iii) letter of advice from Kingsway to the Solartech Independent Board Committee and the Solartech Independent Shareholders in relation to the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver; (iv) financial information regarding the Solartech Group, the Hua Yi Sale Companies and the Solartech Sale Companies; and (v) the notice of the Solartech SGM will be despatched by Solartech to the Solartech Shareholders as soon as possible in accordance with the relevant provisions of the Takeovers Code and the Listing Rules.

Subject to the Solartech Open Offer being approved at the Solartech SGM, the Prospectus or Prospectus Documents, where appropriate, containing further information on the Solartech Open Offer will be despatched to the Solartech Shareholders as soon as practicable.

Hua Yi

Solartech is the controlling shareholder of Hua Yi holding approximately 45.4% interest in Hua Yi. As such, Solartech is a connected person of Hua Yi within the meanings of the Listing Rules. On this basis, the HY Subsidiaries Agreement constitutes a connected transaction and a very substantial disposal for Hua Yi, while the Solartech Enterprises Agreement and the Fund Resources Agreement constitute a connected transaction and a very substantial acquisition for Hua Yi under the Listing Rules.

As the Hua Yi Placing is conditional upon the approval by the Hua Yi Independent Shareholders of the Asset Swap, in which Solartech has a material interest, and Solartech is a connected person, the Hua Yi Placing is deemed to be a connected transaction for Hua Yi under the Listing Rules.

The Hua Yi Independent Board Committee comprising one independent non-executive director of Hua Yi, being Mr. Lee Kin Keung, has been established by Hua Yi to advise the Hua Yi Independent Shareholders on the terms of the Asset Swap (including the Cap) and the Hua Yi Placing. Veda has been appointed to advise the Hua Yi Independent Board Committee and the Hua Yi Independent Shareholders in this regard. The other two independent non-executive directors of Hua Yi being Messrs. Chung Kam Kwong and Lo Chao Ming, are also independent non-executive directors of Solartech. In view of the material interest of Solartech in the Asset Swap, the Hua Yi Directors consider it appropriate to exclude Messrs. Chung Kam Kwong and Lo Chao Ming from Hua Yi Independent Board Committee to avoid any potential conflicts of interest that may be perceived to occur relating to the roles of Messrs. Chung Kam Kwong and Lo Chao Ming.

The Hua Yi SGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Agreements, and transactions contemplated under the Asset Swap (including the Cap), the Hua Yi Placing and the issue and allotment of the Hua Yi Placing Shares by the Hua Yi Independent Shareholders by way of poll. Solartech and its associates, and all parties who are involved in or interested in the Agreements, and transactions contemplated under the Asset Swap (including the Cap) and the Hua Yi Placing (including Mr. Chau and his associates, Mr. Lau and his associates, the Placing Agent, Kingston Finance Limited, and their respective associates) will be required to abstain from voting in relation to the resolutions to approve the Agreements, and transactions contemplated under the Asset Swap (including the Cap) and the Hua Yi Placing.

Hua Yi will issue the Hua Yi Circular which will contain, among other things, (i) further details of the Agreements, the Asset Swap (including the Cap) and the Hua Yi Placing; (ii) letter from the Hua Yi Independent Board Committee; (iii) letter of advice from Veda to the Hua Yi Independent Board Committee and the Hua Yi Independent Shareholders in relation to the Agreements, and transactions contemplated under the Asset Swap (including the Cap) and the Hua Yi Placing; (iv) financial information regarding the Hua Yi Group, the Hua Yi Sale Companies and the Solartech Sale Companies; and (v) the notice of Hua Yi SGM will be despatched by Hua Yi to the Hua Yi Shareholders as soon as possible in accordance with the relevant provisions of the Listing Rules.

RESUMPTION OF TRADING

At the request of Solartech and Hua Yi, trading in the Solartech Shares and Hua Yi Shares have been suspended from 9:30 a.m. on 8 December 2008 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Solartech Shares and Hua Yi Shares respectively with effect from 9:30 a.m. on 11 December 2008.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acceptance Time”	4:00 p.m. on the last date for acceptance of, and payment for, the Solartech Open Offer Shares
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Adjustments”	the adjustments to be made to the consideration payable by Solartech and Hua Yi respectively pursuant to the Agreements as set out in this announcement
“Agreements”	the Sale and Purchase Agreements and the Set-off Deed
“Application Form”	the application form(s) to be issued in connection with the Solartech Open Offer
“Asset Swap”	the proposed asset swap between Solartech and Hua Yi on the terms and conditions set out in the Agreements
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Business Day”	a day on which banks are generally open for business in Hong Kong other than a Saturday and a Sunday
“BVI”	the British Virgin Islands
“Capital Reorganisation”	the proposed capital reorganisation of Hua Yi, involving the reduction of the par value of existing Hua Yi Shares from HK\$0.20 to HK\$0.01 each and the share consolidation of five issued and unissued Hua Yi shares of HK\$0.01 each into one Hua Yi Consolidated Share of HK\$0.05 each, details of which are set out in the circular of Hua Yi dated 20 November 2008

“Chau’s Electrical”	Chau’s Electrical Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Solartech
“Chau’s Industrial”	Chau’s Industrial Investments Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Solartech
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Completion”	completion of the Sale and Purchase Agreements
“Completion Accounts”	the respective unaudited consolidated balance sheets of the Modern China Group, the HY Products Group, the Solartech Enterprises Group and the Fund Resources Group as at the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“Fund Resources”	Fund Resources Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Solartech
“Fund Resources Agreement”	the sale and purchase agreement dated 5 December 2008 entered into between Chau’s Electrical, Hua Yi and Solartech in respect of the purchase by Hua Yi of the Fund Resources Sale Shares and the Fund Resources Shareholder’s Loan
“Fund Resources Consideration”	the consideration payable by Hua Yi to Chau’s Electrical under the Fund Resources Agreement
“Fund Resources Group”	Fund Resources and its subsidiary
“Fund Resources Sale Shares”	the 10,000 shares of HK\$1.00 each in the issued share capital of Fund Resources which represent its entire issued share capital
“Fund Resources Shareholder’s Loan”	the unsecured and interest-free shareholder’s loan owing by the Fund Resources Group to Chau’s Electrical

“Gosberton”	Gosberton Assets Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Solartech
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hua Yi”	Hua Yi Copper Holdings Limited, an exempt company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“Hua Yi Circular”	the circular to be despatched to the Hua Yi Shareholders by Hua Yi relating to, among other things, the Asset Swap and the Hua Yi Placing
“Hua Yi Consolidated Share(s)”	ordinary share(s) of HK\$0.05 each in the issued share capital of Hua Yi upon the Capital Reorganisation becoming effective
“Hua Yi Director(s)”	the director(s) of the Hua Yi
“Hua Yi Group”	Hua Yi and its subsidiaries from time to time
“Hua Yi Independent Board Committee”	the committee comprising Mr. Lee Kin Keung, an independent non-executive director of Hua Yi, formed to advise the Hua Yi Independent Shareholders on the terms of the Agreements, the transactions contemplated under the Asset Swap and the Hua Yi Placing Agreement
“Hua Yi Independent Shareholder(s)”	Hua Yi Shareholder(s) other than Solartech and its associates, and all parties who are involved in or interested in the Agreements, and the transactions contemplated under the Asset Swap (including the Cap) and the Hua Yi Placing (including Mr. Chau, Mr. Lau, the Placing Agent, Kingston Finance Limited, and their respective associates)
“Hua Yi Placing”	the proposed placing by Hua Yi of 104,000,000 new Hua Yi Consolidated Shares by the Placing Agent on the terms and conditions set out in this announcement
“Hua Yi Placing Agreement”	the conditional placing agreement dated 5 December 2008 entered into between Hua Yi and the Placing Agent in respect of the Hua Yi Placing

“Hua Yi Placing Shares”	104,000,000 new Hua Yi Consolidated Shares proposed to be issued by Hua Yi under the Hua Yi Placing
“Hua Yi Sale Companies”	Modern China Group and HY Products Group
“Hua Yi SGM”	a special general meeting of Hua Yi to be convened for the purpose of considering and, if thought fit, approving, among other things, the Agreements, transactions contemplated under the Asset Swap, the Hua Yi Placing Agreement and the issue and allotment of the Hua Yi Placing Shares pursuant to the Hua Yi Placing Agreement by the Hua Yi Independent Shareholders by way of poll
“Hua Yi Share(s)”	existing ordinary share(s) of HK\$0.20 each in the issued share capital of Hua Yi
“Hua Yi Shareholder(s)”	holder(s) of Hua Yi Shares or Hua Yi Consolidated Shares upon the Capital Reorganisation becoming effective
“HY Products”	Hua Yi Copper Products Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Hua Yi
“HY Products Group”	HY Products and its subsidiary
“HY Products Sale Shares”	the 5,000,000 shares of HK\$1.00 each in the issued share capital of HY Products which represent its entire issued share capital
“HY Products Shareholder’s Loan”	the unsecured and interest-free shareholder’s loan owed by the HY Products Group to Wah Yeung
“HY Subsidiaries Agreement”	the sale and purchase agreement dated 5 December 2008 entered into between Wah Yeung, Solartech and Hua Yi in respect of the purchase by Solartech of the Modern China Sale Share, the HY Products Sale Shares and the HY Products Shareholder’s Loan
“HY Subsidiaries Consideration”	the consideration payable by Solartech to Wah Yeung under the HY Subsidiaries Agreement

“Kingsway”	Kingsway Capital Limited, the independent financial adviser to the Solartech Independent Board Committee and Solartech Independent Shareholders regarding the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver
“Last Trading Day”	5 December 2008, being the last day on which the Solartech Shares and Hua Yi Shares were traded on the Stock Exchange prior to suspension of trading in the Solartech Shares and Hua Yi Shares pending release of this announcement
“License Agreement”	the trademark license agreement to be entered into by (i) Chau’s Electrical and Gosberton as licensors on one part; and (ii) Solartech Enterprises and Fund Resources and their respective subsidiary as licensees on the other part in respect of the use of certain trademarks of the licensors by the licensees for the purpose of manufacturing, processing, distributing, supplying, marketing and selling of the Products for a period of 18 months from the date of Completion
“Listing Committee”	the listing sub-committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Modern China”	Modern China Enterprises Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Hua Yi
“Modern China Group”	Modern China and its subsidiaries
“Modern China Sale Share”	the one share of HK\$1.00 each in the issued share capital of Modern China which represents its entire issued share capital
“Mr. Chau”	Mr. Chau Lai Him, the Chairman and Managing Director of Solartech and Hua Yi respectively, who is also a substantial shareholder of Solartech
“Mr. Lau”	Mr. Lau Man Tak, a director and substantial shareholder of the Underwriter
“Mrs. Chu”	Mrs. Chu Yuet Wah, the controlling shareholder of Kingston Securities

“Non-Qualifying Shareholders”	Overseas Shareholders in respect of whom the Solartech Directors, based on legal opinions, consider it necessary or expedient not to offer the Solartech Open Offer Shares to such Solartech Shareholders on account either of the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory bodies or stock exchanges in those places
“Overseas Shareholders”	Solartech Shareholders whose names appear on the register of members of Solartech at the close of business on the Record Date and whose address(es) as shown on such register are in a place(s) outside Hong Kong
“Parties”	the parties to the Agreements, including Solartech, Hua Yi, Wah Yeung, Chau’s Industrial and Chau’s Electrical
“Placing Agent” or “Kingston Securities”	Kingston Securities Limited, the placing agent for the Hua Yi Placing
“Placing Price”	HK\$0.30 per Hua Yi Placing Share
“PRC”	the People’s Republic of China which for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Products”	refers to electrical cables and cords, power supply cords, extension cords, wire harnesses, audio-video cables, telephone cords and parts and fittings therefor, telephone extension cords, telephone plug conversion cords, telephone plugs, telephone jacks, telephone cord sets and modular jacks
“Prospectus”	the prospectus to be issued to the Solartech Shareholders containing details of the Solartech Open Offer
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Day”	the date of posting of the Prospectus Documents to Qualifying Shareholders and the Prospectus to Non-Qualifying Shareholders for their information only

“Qualifying Shareholders”	Solartech Shareholders, other than the Non-Qualifying Shareholders, whose names appear on the register of members of Solartech at the close of business on the Record Date
“Record Date”	the date by reference to which entitlements to the Solartech Open Offer are to be determined
“Sale and Purchase Agreements”	HY Subsidiaries Agreement, Fund Resources Agreement and Solartech Enterprise Agreement
“Set-off Deed”	the deed of set-off and transition arrangements dated 5 December 2008 entered into between Solartech, Chau’s Industrial, Chau’s Electrical, Hua Yi and Wah Yeung in respect of the sale and purchase of all the issued shares in the Solartech Sale Companies and the Hua Yi Sale Companies
“SFC”	the Securities and Futures Commission of Hong Kong
“Solartech”	Solartech International Holdings Limited, an exempt company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“Solartech Circular”	the circular to be despatched to the Solartech Shareholders by Solartech relating to, among other things, Agreements, transactions contemplated under the Asset Swap, the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver
“Solartech Director(s)”	the director(s) of the Solartech
“Solartech Enterprises”	Solartech Enterprises Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Solartech
“Solartech Enterprises Agreement”	the sale and purchase agreement dated 5 December 2008 entered into between Chau’s Industrial, Hua Yi and Solartech in respect of the purchase by Hua Yi of the Solartech Enterprises Sale Shares and the Solartech Enterprises Shareholder’s Loan
“Solartech Enterprises Consideration”	the consideration payable by Hua Yi to Chau’s Industrial under the Solartech Enterprises Agreement

“Solartech Enterprises Group”	Solartech Enterprises and its subsidiary
“Solartech Enterprises Sale Shares”	the 1,000 shares of HK\$1.00 each in the issued share capital of Solartech Enterprises which represent its entire issued share capital
“Solartech Enterprises Shareholder’s Loan”	the unsecured and interest-free shareholder’s loan owed by the Solartech Enterprises Group to Chau’s Industrial
“Solartech Group”	Solartech and its subsidiaries from time to time
“Solartech Independent Board Committee”	the committee comprising, Mr. Lo Wai Ming, an independent non-executive director of Solartech formed to advise the Solartech Independent Shareholders on the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver
“Solartech Independent Shareholder(s)”	Solartech Shareholders other than Mr. Chau, the Underwriter, and their respective associates and parties acting in concert with them and any parties who are involved or interested in the Agreements, the Asset Swap, the Solartech Open Offer, the Underwriting Agreement, the Whitewash Waiver and the Hua Yi Placing (including Mr. Lau, the Placing Agent and Kingston Finance Limited)
“Solartech Open Offer”	the proposed issue of Solartech Open Offer Shares at the price of HK\$0.027 per Solartech Open Offer Share to the Qualifying Shareholders on the basis of four Solartech Open Offer Shares for every Solartech Share held on the Record Date
“Solartech Open Offer Shares”	the 2,414,617,448 new Solartech Shares to be issued and allotted under the Solartech Open Offer
“Solartech Remaining Group”	Solartech Group excluding the Solartech Sale Companies and, after Completion, including the Hua Yi Sale Companies
“Solartech Sale Companies”	Solartech Enterprises Group and Fund Resources Group
“Solartech Sale Companies Shareholder’s Loan”	collectively the Solartech Enterprises Shareholder’s Loan and the Fund Resources Shareholder’s Loan

“Solartech SGM”	a special general meeting of Solartech to be convened for the purpose of considering and, if thought fit, approving, among other things, (i) the Agreements and transactions contemplated under the Asset Swap; and (ii) the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver by the Solartech Independent Shareholders by way of poll
“Solartech Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of Solartech
“Solartech Shareholder(s)”	holder(s) of Solartech Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Venture Success Holdings Limited, a company incorporated in the BVI and owned as to 74% by Mr. Chau and 26% by Mr. Lau
“Underwriting Agreement”	the underwriting agreement dated 5 December 2008 entered into between Solartech and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Solartech Open Offer
“Underwritten Shares”	a total of 2,414,617,448 Solartech Open Offer Shares to be offered for subscription by the Solartech Shareholders under the terms and conditions of the Solartech Open Offer
“Veda”	Veda Capital Limited, the independent financial adviser to the Hua Yi Independent Board Committee and Hua Yi Independent Shareholders regarding the Agreements, transactions contemplated under the Asset Swap and the Hua Yi Placing Agreement
“Wah Yeung”	Wah Yeung Capital Resources Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Hua Yi

“Whitewash Waiver”	a waiver by the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code to waive the obligation of Mr. Chau and the Underwriter to make a general offer for all the issued Solartech Shares not already owned or agreed to be acquired by Mr. Chau, the Underwriter or parties acting in concert with them respectively which may otherwise arise as a result of the subscription of the Solartech Open Offer Shares by the Underwriter under the Solartech Open Offer pursuant to the Underwriting Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

By order of the Board
Hua Yi Copper Holdings Limited
Chau Lai Him
Chairman and Managing Director

Hong Kong, 10 December 2008

As at the date of this announcement, the board of directors of Solartech comprises Mr. Chau Lai Him, Mr. Zhou Jin Hua and Mr. Liu Jin Rong being the executive directors and Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming being the independent non-executive directors.

As at the date of this announcement, the board of directors of Hua Yi comprises Mr. Chau Lai Him, Mr. Chu Yuk Kuen and Mr. Chan Sio Keong being the executive directors and Mr. Chung Kam Kwong, Mr. Lee Kin Keung and Mr. Lo Chao Ming being the independent non-executive directors.

The Solartech Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those relating to the Hua Yi Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, the opinions expressed in this announcement (other than those expressed by the Hua Yi Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The Hua Yi Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those relating to the Solartech Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, the opinions expressed in this announcement (other than those expressed by the Solartech Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.