THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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

SOLARTECH INTERNATIONAL HOLDINGS LIMITED
榮盛科技國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1166)

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;
AND
CONNECTED TRANSACTION – UNDERWRITING AGREEMENT

Joint financial advisers to Solartech International Holdings Limited

Optima Capital Limited

Kingston Corporate Finance Limited

Independent financial adviser to the Independent Board Committee and Independent Shareholders of Solartech International Holdings Limited

Kingsway Capital Limited

A letter of recommendation from the Independent Board Committee and a letter of advice from Kingsway in respect of the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver are set out on page 41 and pages 42 to 57 of this circular respectively.

A notice convening the SGM to be held at Meeting Room 5, 7/F, HITEC, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong, at 9:30 a.m. on Monday, 19 January 2009 is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy for use at the special general meeting is enclosed.

Whether or not you intend to attend and vote at the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company in Hong Kong at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the special general meeting or any adjournment thereof in person if you so wish.

* *for identification purpose only*

31 December 2008

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The expected timetable for the Solartech Open Offer set out below is for indicative purposes only and it has been prepared on the assumption that all the conditions of the Solartech Open Offer will be fulfilled. The expected timetable may be subject to change and any changes will be announced in a separate announcement by the Company as and when appropriate.

	2009
Last day of dealings in Shares on a cum-entitlement basis	Thursday, 8 January
Commencement of dealings in Shares on an ex-entitlement basis	Friday, 9 January
Latest time for lodging transfers of Shares	4:30 p.m. on Monday, 12 January
Latest time for lodging proxy forms for the SGM	9:30 a.m. on Saturday, 17 January
Closure of register of members to determine eligibility for the Solartech Open Offer (both dates inclusive)	Tuesday, 13 January to Monday, 19 January
Date and time of the SGM	9:30 a.m. on Monday, 19 January
Record Date for the Solartech Open Offer	Monday, 19 January
Announcement of the results of SGM (will be published on the Stock Exchange website by 7:00 p.m.)	Monday, 19 January
Despatch of Prospectus Documents	Monday, 19 January
Register of members re-opens	Tuesday, 20 January
Latest time for acceptance of and payment for Solartech Open Offer Shares	4:00 p.m. on Monday, 2 February
Latest time for the Solartech Open Offer to become unconditional	4:00 p.m. on Thursday, 5 February
Announcement of the results of Solartech Open Offer	Thursday, 5 February
Despatch of certificates for Solartech Open Offer Shares	Friday, 6 February

Notes:

1. All time in this circular refer to Hong Kong time.

2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on the latest date for acceptance for the Solartech Open Offer Shares at any time between 12:00 noon and 4:00 p.m., the latest acceptance time for the Solartech Open Offer Shares will be postponed to the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m.

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

"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
"Agreements"	the Sale and Purchase Agreements and the Set-off Deed
"Announcement"	the joint announcement of Solartech and Hua Yi dated 10 December 2008 in relation to, among others, the Asset Swap, the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver
"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
"Board"	the board of Directors
"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
"Bye-law"	the bye-law of the Company as amended from time to time
"Cap"	the cap of HK$30 million on outstanding trade balances as at Completion in respect of the supply of goods and materials from a subsidiary of Solartech Enterprises to Shanghai Chau's Electrical Co., Ltd., a subsidiary of Chau's Electrical

"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
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group including the Hua Yi Sale Companies
"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 an indirect 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 Share 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 Share"	the 1 share of HK$1.00 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 Group"	Hua Yi and its subsidiaries from time to time
"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 Shares by the Placing Agent on the terms and conditions set out in the Hua Yi Placing Agreement
"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 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 Share(s)"	ordinary share(s) of HK$0.05 each in the issued share capital of Hua Yi
"HY Products"	Hua Yi Copper Products Company Limited, a company incorporated in Hong Kong with limited liability and an indirect 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
"Independent Board Committee"	the committee comprising, Mr. Lo Wai Ming, an independent non-executive Director formed to advise the Independent Shareholders on the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver
"Independent Shareholder(s)"	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)
"Kingsway"	Kingsway Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in Schedule 5 of the SFO, being the independent financial adviser to the Independent Board Committee and the 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 Shares and Hua Yi Shares were traded on the Stock Exchange prior to suspension of trading in the Shares and Hua Yi Shares pending release of the Announcement

"Latest Practicable Date"	29 December 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Licence Agreement"	the trademark licence 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 the Licence Agreement
"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 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 and Kingston Finance Limited
"Non-Qualifying Shareholders"	Overseas Shareholders in respect of whom the Directors, based on legal advice, consider it necessary or expedient not to offer the Solartech Open Offer Shares to such 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"	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, a licensed corporation to carry out type 1 (dealings in securities) regulated activity under the SFO, the placing agent for the Hua Yi Placing
"PRC"	the People's Republic of China which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"Products"	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 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"	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"	19 January 2009, being 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
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of Solartech to be held on 19 January 2009 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 Independent Shareholders voting by way of poll
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of Solartech
"Shareholder(s)"	holder(s) of Shares
"Solartech" or "Company"	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 Enterprises"	Solartech Enterprises Limited, a company incorporated in Hong Kong with limited liability and an indirect 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" or "Group"	Solartech and its subsidiaries
"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 Share held on the Record Date
"Solartech Open Offer Shares"	the 2,414,617,448 new Shares to be allotted and issued 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"	the Solartech Enterprises Shareholder's Loan and the Fund Resources Shareholder's Loan collectively
"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 Shareholders under the terms and conditions of the Solartech Open Offer

"Wah Yeung"	Wah Yeung Capital Resources Limited, a company incorporated in the BVI with limited liability and an indirect 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 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.

SOLARTECH INTERNATIONAL HOLDINGS LIMITED
榮盛科技國際控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1166)

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

Independent non-executive Directors:
Mr. Chung Kam Kwong
Mr. Lo Wai Ming
Mr. Lo Chao Ming

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

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

31 December 2008

To the Shareholders:

Dear Sir and Madam,

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;
AND
CONNECTED TRANSACTION – UNDERWRITING AGREEMENT

INTRODUCTION

As at the Latest Practicable Date, Solartech is the controlling shareholder of Hua Yi holding 80,426,375 Hua Yi Shares representing approximately 45.4% of the issued share capital of Hua Yi. On 5 December 2008, the Parties, which are members of the Solartech

* *for identification purpose only*

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 has applied for the Whitewash Waiver.

The purpose of this circular is to set out, 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 Independent Board Committee; (iii) letter of advice from Kingsway to the Independent Board Committee and the 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 SGM.

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

THE ASSET SWAP

The Asset Swap is governed by four agreements, being 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 Share 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 consideration 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 vendor under 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 as set out in the paragraph below. Each of Solartech and Hua Yi intends that any cash consideration received by it under the Asset Swap will be utilised 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 values of the Solartech Sale Companies and 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 (subject to the aggregation and net-off arrangements under the Set-off Deed). 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 (subject to the aggregation and net-off arrangements under the Set-off Deed).

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 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 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 Latest Practicable Date, save for condition (d), none of the above conditions have 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.

On Completion, among the other completion deliverables required under each of the Sale and Purchase Agreements:

- Wah Yeung will deliver to Solartech, a deed of assignment for the HY Products Shareholder's Loan. Wah Yeung, Hua Yi and Solartech will then enter into a tax deed pursuant to which Wah Yeung and Hua Yi will reimburse Solartech, subject to the terms and conditions of the relevant tax deed, certain taxation liabilities incurred by the Modern China Group and the HY Products Group up to the date of completion in excess of that provided for in the last audited accounts of the Modern China Group and the HY Products Group.

- Chau's Industrial will deliver to Hua Yi, a deed of assignment for the Solartech Enterprises Shareholder's Loan. Chau's Industrial, Solartech and Hua Yi will then enter into a tax deed pursuant to which Chau's Industrial and Solartech will reimburse Hua Yi, subject to the terms and conditions of the relevant tax deed, taxation liabilities incurred by the Solartech Enterprises Group up to the date of completion in excess of that provided for in the last audited accounts of the Solartech Enterprises Group.

- Chau's Electrical will deliver to Hua Yi, a deed of assignment for the Fund Resources Shareholder's Loan. Chau's Electrical, Solartech and Hua Yi will then enter into a tax deed pursuant to which Chau's Electrical and Solartech will reimburse Hua Yi, subject to the terms and conditions of the relevant tax deed, taxation liabilities incurred by the Fund Resources Group up to the date of completion in excess of that provided for in the last audited accounts of the Fund Resources Group.

In addition, the Licence Agreement will be entered into at Completion of the Solartech Enterprises Agreement and the Fund Resources Agreement. Details of the Licence Agreement, its purpose and the transactions contemplated thereunder are set out at page 25 of this circular.

INFORMATION ON SOLARTECH AND HUA YI

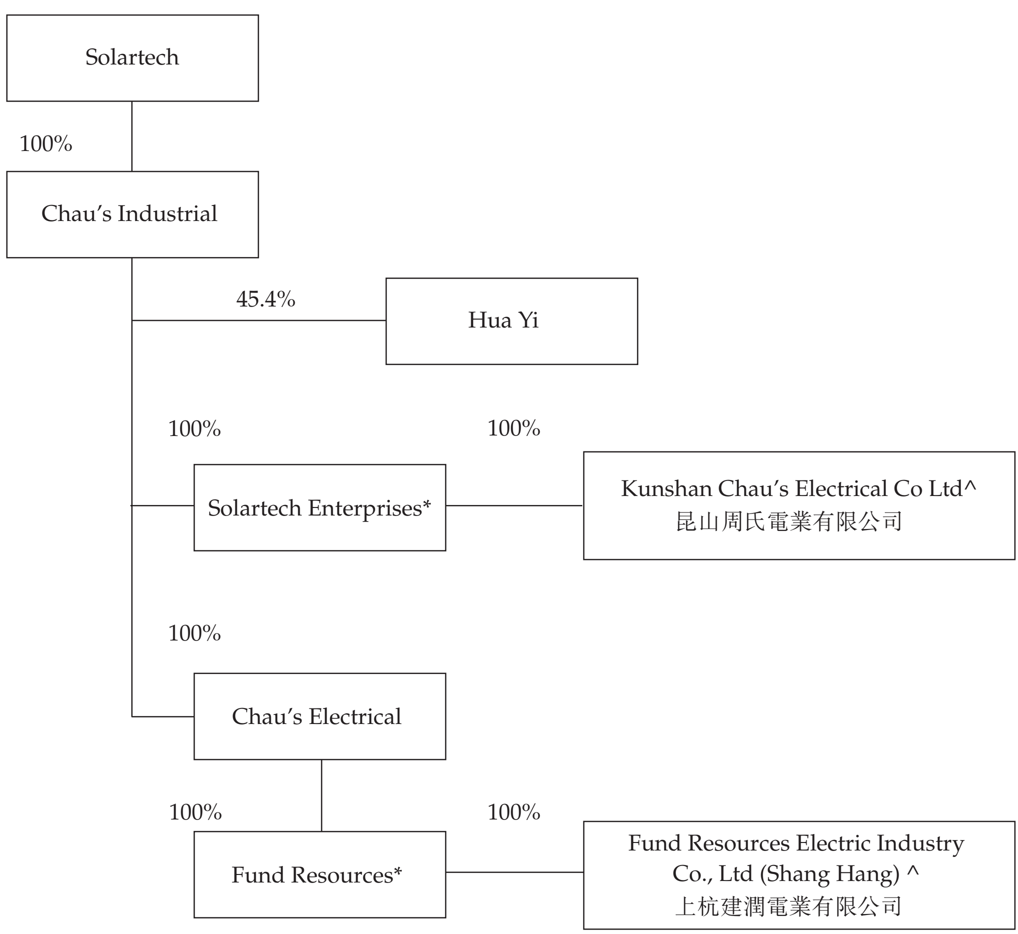
Solartech is an investment holding company and the Solartech Group is principally engaged in the manufacture and trading of cables and wires for use in household electrical appliances and electronic products, connectors and terminals and wire harnesses. As at the Latest Practicable Date, Solartech owns 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 the Hua Yi Group 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.

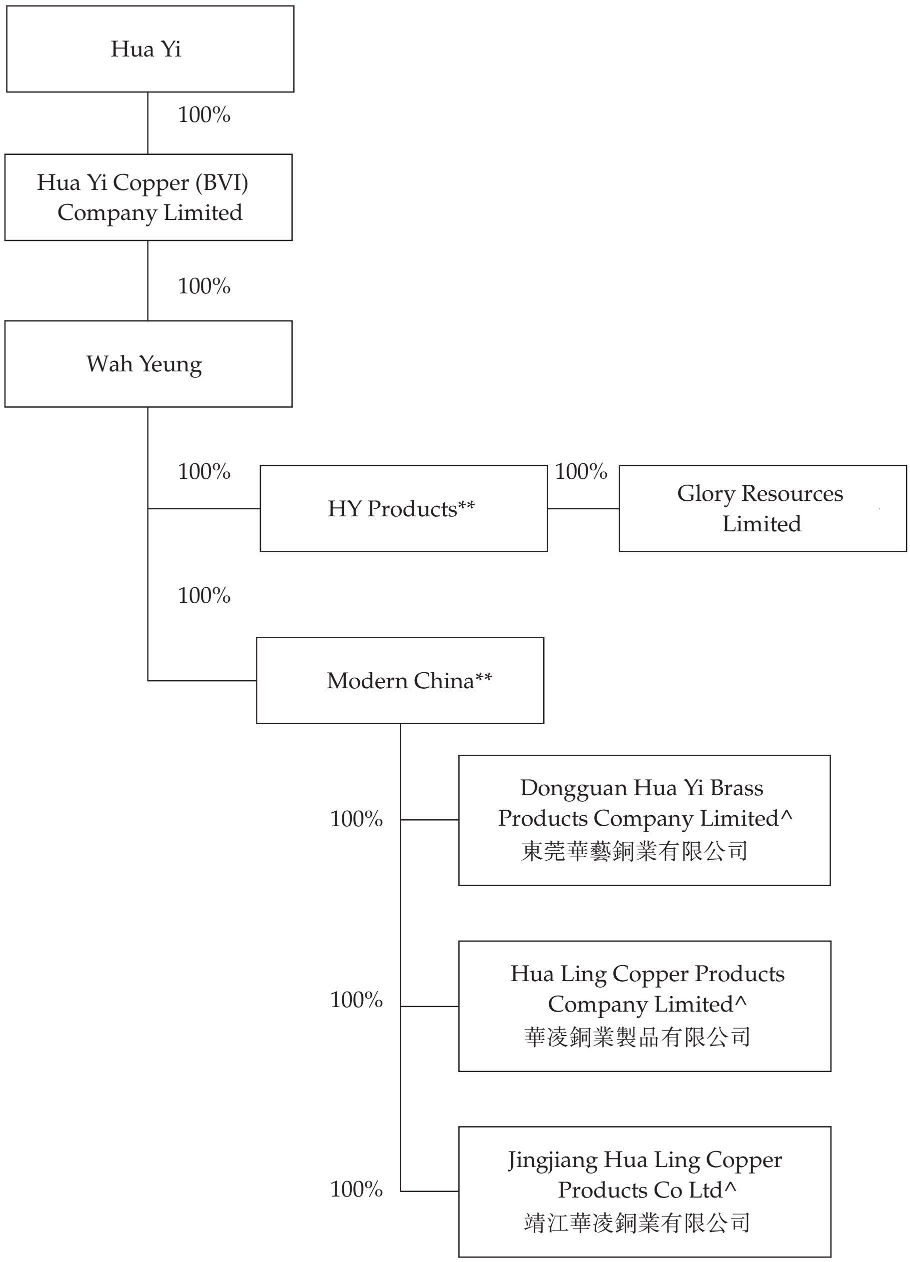
The simplified structures of the Solartech Group and Hua Yi Group showing the companies relevant to the Asset Swap before and immediately upon Completion are as follows:

Before Completion

(i) Solartech Group



(ii) Hua Yi Group



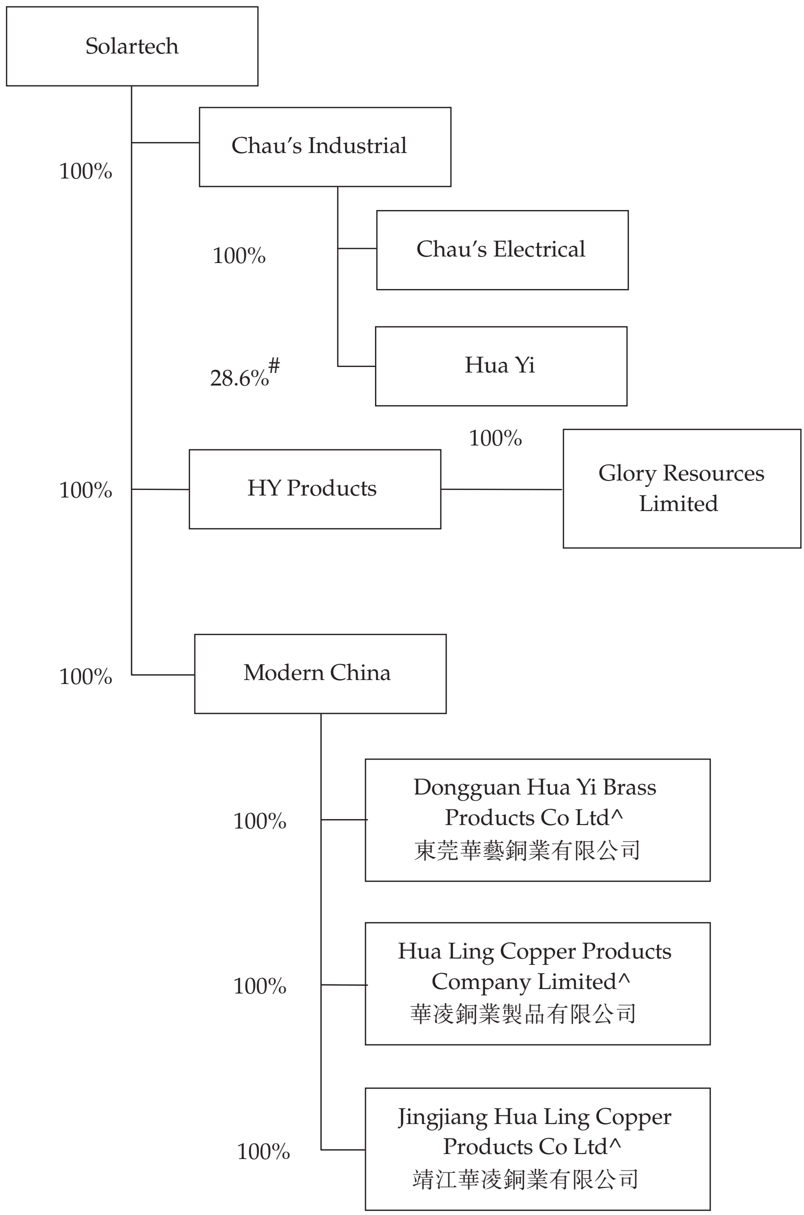
* *Solartech Sale Companies – Solartech Enterprises and Fund Resources together with their respective subsidiaries will be sold to Hua Yi on Completion*

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

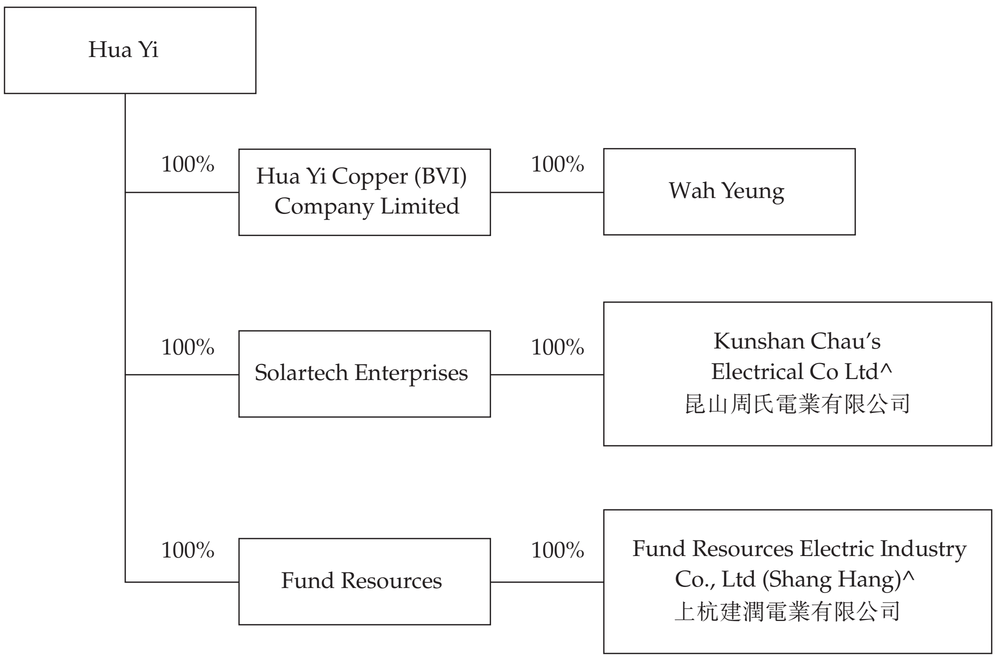
^ *For identification purposes only*

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 (audited)	**30 June 2007 (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$120.2 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 (audited) *HK$ million*	**30 June 2007 (audited)** *HK$ million*
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.

FINANCIAL EFFECT OF THE ASSET SWAP

Upon Completion, (i) 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; and (ii) the 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.

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 Solartech as a result of the Asset Swap.

As set out in the consolidated balance sheet of the Group as at 30 June 2008 contained in Appendix I to this circular, the Group had audited total assets and audited total liabilities of approximately HK$1,711.0 million and HK$624.9 million respectively as at 30 June 2008. Had the Asset Swap had been completed on 30 June 2008, the unaudited pro forma total assets and total liabilities as set out in the unaudited pro forma consolidated balance sheet of the Solartech Remaining Group contained in Appendix X to this circular, would have been increased to approximately HK$2,389.4 million and HK$1,303.3 million respectively as at 30 June 2008.

The Group recorded a net profit attributable to equity holders of the Company of approximately HK$19.8 million for the year ended 30 June 2008 as set out in the audited consolidated income statement of the Group contained in Appendix I in this circular. Assuming the Asset Swap had been completed at the beginning of the year ended 30 June 2008, a net profit attributable to equity holders of the Company of approximately HK$29.9 million would be recorded for the year ended 30 June 2008 as set out in the unaudited pro forma consolidated income statement of the Solartech Remaining Group contained in Appendix X to this circular.

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 as at 30 June 2008. 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 (the minimum purchase order for which is 250 tonnes) is about 25 times higher than that of each lot of copper rods (the minimum purchase order for which is 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 is cautious about the outlook of the export markets for electrical and electronic consumer products of the PRC and Hong Kong manufacturers, of which both Solartech and Hua Yi 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 manufactures and trading of the cable and wires.

Solartech considers that after the re-grouping of businesses by geographical location as described above, it 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 considered 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 (including obligations under finance leases) of approximately HK$180 million to total equity of approximately HK$1,079 million. The 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. There is no intended 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 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 Shareholders as a whole.

POST-COMPLETION MATTERS

Licence 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 Licence Agreement at Completion, pursuant to which the licensors will grant to each licensee a non-exclusive licence 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 Licence Agreement. The licensees agree to pay to the licensors HK$1 as the royalty fee for the licence granted.

Should the licensees intend to renew the Licence 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 Licence Agreement and the parties to the Licence Agreement shall negotiate the renewal in good faith on same terms and conditions of the Licence Agreement, except that the royalty fee shall be revised and determined by the parties with reference to fair market value at that time. Solartech will comply with the applicable requirements under the Listing Rules in respect of the renewal in due course.

The Licence 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 licence 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 licence period.

Solartech will put forward the Licence Agreement to the shareholders for approval at the SGM as part and parcel of the transactions under the Asset Swap.

Settlement of outstanding trade receivables and payables

The subsidiary of Solartech Enterprises currently supplies goods and materials to Shanghai Chau's Electrical Co., Ltd., a subsidiary of 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 the Cap, being HK$30 million. 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.

Save for the settlement of the outstanding trade receivables and payables, the 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 Share held on the Record Date
Number of Shares in issue	:	603,654,362 Shares as at the Latest Practicable Date
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 Shares

Explanatory note

(a) The number of Solartech Open Offer Shares was determined under the assumption that no new Shares will be issued after the Latest Practicable Date 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 Latest Practicable Date, Solartech has no outstanding options, warrants or convertible securities in issue which confer a right to subscribe for, convert or exchange into Shares.

Qualifying Shareholders

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

To qualify for the Solartech Open Offer, a 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, Shareholders must lodge any transfers of 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 12 January 2009.

The register of members of Solartech will close from 13 January 2009 to 19 January 2009 (both dates inclusive). No transfers of 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 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 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 Share for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(iv) a discount of approximately 17% to the theoretical ex-open offer price of HK$0.0326 per Share calculated based on the closing price per Share on the Last Trading Day as referred to in (i) above; and

(v) a discount of approximately 49% to the closing price per Share of HK$0.053 as quoted on the Stock Exchange on the Latest Practicable Date.

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 Shares and the volatile condition of the financial market. As the Solartech Open Offer Shares are offered to all Qualifying Shareholders, the 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 Directors consider the terms of the Solartech Open Offer, including the subscription price, are fair and reasonable and in the interests of Solartech and the 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 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 Shareholder's address on the register of members of Solartech is in a place outside Hong Kong and the invitation to that Shareholder to apply for Solartech Open Offer Shares is unlawful or without compliance with specific formalities in the place of residence of such Shareholder, unlawful, that Shareholder may not be eligible to take part in the Solartech Open offer as documents to be issued in connection with the Solartech Open Offer will not be registered in any jurisdiction other than Hong Kong and Bermuda.

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 advice obtained by Solartech, the 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 Directors will exercise the discretion given to them under the Bye-laws of Solartech to exclude such Overseas Shareholders from the Solartech Open Offer and the Non-Qualifying Shareholder will not be invited to participate in the Solartech Open Offer. In such a case, Solartech will send the Prospectus (without an Application Form) to the Non-Qualifying Shareholder for their information only. A summary of the legal advice 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 Shares are currently traded in board lots of 10,000 Shares each.

Underwriting arrangements

The Underwriting Agreement

As at the Latest Practicable Date, Mr. Chau is, directly and indirectly, beneficially interested in 132,692,000 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 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 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 Shareholder and is otherwise an independent third party of Solartech, the 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. In addition, no excess application of the Solartech Open Offer Shares is available and Solartech Offer Shares not validly applied for by shareholders will be taken up by the Underwriter and/or subscribers procured by the Underwriter. As such, the absence of excess application and the alternative arrangement for the disposal of the Solartech Open Offer Shares must be specifically approved by the Independent Shareholders at the 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 the 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 Shareholders containing, among other matters, details on the Solartech Open Offer, together with proxy form and notice of 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 Independent Shareholders (or, where appropriate, Shareholders) at the 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, if required), 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.

None of the above conditions can be waived under the Underwriting Agreement. As at the Latest Practicable Date, save for condition (a), none of the above conditions has been fulfilled.

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 Directors 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 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 Shareholder or other person dealing in 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 Shareholder or other person contemplating selling or purchasing Shares who is in any doubt about his/her position is recommended to consult his/her own professional adviser.

Intention of the Underwriter regarding the Group

The Underwriter intends that the Group will continue its existing businesses together with the business of the Hua Yi Sale Companies regrouped under it following the completion of the Asset Swap and the Solartech Open Offer. The Underwriter is optimistic about the future of the Enlarged Group after the rationalization of the business of the Group through the Asset Swap, and thus, it intends to support the continue development of the Group through the underwriting of the Solartech Open Offer. Save for the Asset Swap, there will be no other material changes in the existing businesses of the Group and the Underwriter intends to maintain the continued employment of the employees and has no intention to redeploy the fixed assets of the Group.

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 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 Directors believe that the Solartech Open Offer is in the interests of the Solartech Group and the 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 Latest Practicable Date.

SHAREHOLDING STRUCTURE OF SOLARTECH

Pursuant to the Underwriting Agreement, Solartech has undertaken not to issue any new Shares or securities convertible into 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 Latest Practicable Date and the possible changes upon completion of the Solartech Open Offer, on the basis of the public information available to Solartech on the Latest Practicable Date and after the Directors having made reasonable enquiries:–

			Upon completion of the Solartech Open Offer					
	As at the Latest Practicable Date		**Nil subscription by Shareholders** *(Note 1)*		**Nil subscription by Shareholders** *(Note 2)*		**100% subscription by Shareholders** *(Note 3)*	
Shareholders	*Number of Shares*	*Approximate*	*Number of Shares*	*Approximate*	*Number of Shares*	*Approximate*	*Number of 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	0.00004%	1,100	0.00004%	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 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 take up their assured entitlement of the Solartech Open Offer Shares and all the Underwritten Shares are taken up by the Underwriter.

2. Assuming immediately after the Underwriter has taken up the Underwritten Shares, the Underwriter places 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) take 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 Shareholder in the perspective of the Listing Rules.

5. The Shares held by other public Shareholders include the 5,000,000 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 Shares held by Mr. Chau are under a security mortgage in favour of Kingston Finance Limited, in which Mrs. Chu is a controlling shareholder. Kingston Securities, being a party presumed to be acting in concert with the Underwriter, holds 1,100 Shares as at the Latest Practicable Date. Save as disclosed above, to the best of the knowledge, information and belief of the 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 in or interests in other securities in Solartech. As at the Latest Practicable Date, 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 the Qualifying Shareholders, other than Mr. Chau and his associates, in aggregate 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 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 placees not connected to or associated with the connected persons of Solartech such number of Underwritten Shares as required to maintain the public float. Details of the placing arrangements will be included in the Prospectus.

WHITEWASH WAIVER

As at the Latest Practicable Date, Mr. Chau, the Underwriter and parties acting in concert with them (including Kingston Securities) are interested in a total of 132,693,100 Shares representing approximately 22.0% of the issued share capital of Solartech. In the event that any of the Solartech Open Offer Shares are not taken by the Qualifying Shareholders and the Underwriter is required to subscribe for those untaken Solartech Open Offer Shares, this 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 Shareholders.) In such circumstances, an obligation on the part of the Underwriter to make a general offer for all the 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 has been 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 the approval of the Independent Shareholders taken by poll at the SGM in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code.

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

As at the Latest Practicable Date, (i) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the 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.

Should the Underwriter, Mr. Chau and parties acting in concert with any of them hold more than 50% of the voting rights of the Company upon completion of the Solartech Open Offer, they may further increase their shareholding in the Company without triggering any further obligation under the Takeovers Code to make a general offer.

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 are 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 Shares on the market at average purchase price of HK$0.315 per Share.

Although there has been on-market share purchases by Mr. Chau during the six-month period immediately prior to the date of the 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 the Announcement. On this basis, the Directors consider that no disqualifying transaction has occurred in respect of the Whitewash Waiver. An application for waiver from the obligation to make a general offer under Rule 26 of the Takeovers Code has been made by Mr. Chau and the Underwriter to the Executive and for a ruling that the aforementioned purchase of 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 Shares by Mr. Chau on the market in July 2008 prior to the discussion and negotiation of the matters as disclosed in the 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 Shares or other convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares in the six-month period immediately prior to the date of the Announcement up to the Latest Practicable Date.

FINANCIAL AND TRADING PROSPECTS OF THE SOLARTECH GROUP

Based on the unaudited pro forma financial information as set out in Appendix X to this circular, had Completion taken place on 30 June 2008, the Group's net assets value attributable to equity holders of the Company as at 30 June 2008 would remain the same, i.e. approximately HK$1,086.1 million as a result of the Asset Swap. Had Completion took place on 30 June 2008, the Group's profit attributable to equity holders of the Company for the year ended 30 June 2008 would have been increased to approximately HK$29.9 million.

The Asset Swap will result in net cash outflow of HK$11.5 million of the Group. In addition, the business of the Group following Completion will include the manufacture and sale of copper rods and copper wire, which will require relatively large working capital to finance. As such, the proceeds from the Solartech Open Offer will strengthen the capital base of the Group for the development of the business regrouped under it.

The details of the financial effect of the Asset Swap and Solartech Open Offer on the financial position and results of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information are set out, for illustration purpose only, in Appendix X to this circular.

The 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, which can be further classified into four business segments, including (i) cables and wires; (ii) copper rods; (iii) connectors and terminals; and (iv) others.

Solartech considers that after the re-grouping of the business segments by geographical location as described above, each of them will potentially benefit from enhancement in operational efficiency as a result of having common management of production facilities located in close proximity with each other, including a saving in costs, greater flexibility on the part of management 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 under same group to allow more effective use of external financings. Following Completion, the Solartech Remaining Group expects to enjoy a vertical integration of its business from the production of copper rods and wires, to the manufacture of cables and wires.

The Group will continue to consolidate resources and step up cost control so as to strengthen its business foundation. It will also actively grow its clientele and focus on developing more connectors and terminals/wire harness products, in particular, the higher-margin automotive harness. The Group will strive to develop a global business and expand the South American market, thereby ensuring better returns for shareholders.

A summary of the unaudited pro forma financial information as set out in Appendix X, of the Solartech Group before and after Completion, prepared on the bases and assumptions set out in Appendix X is set out below:

	Before Completion	**After Completion**
	HK$ million	*HK$ million*
Total assets	1,711.0	2,389.4
Total liabilities	624.9	1,303.3
Total net assets	1,086.1	1,086.1
Net current assets	140.9	217.7
Turnover	3,493.5	3,976.8
Net profit attributable to:		
Equity holders of the Company	19.8	29.9

REGULATORY IMPLICATIONS

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 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 Independent Shareholders at the SGM on a vote by way of poll for the purpose of compliance with Rule 7.26A(2) of the Listing Rules.

The Independent Board Committee comprising one independent non-executive Director, being Mr. Lo Wai Ming, has been established by Solartech to advise the Independent Shareholders on the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver. Kingsway has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. The other two independent non-executive Directors 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 Directors consider it appropriate to exclude Messrs. Chung Kam Kwong and Lo Chao Ming from 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 SGM

The 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, the Underwriting Agreement and the Whitewash Waiver, the Agreements and the transactions contemplated under the Asset Swap at the 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 Directors (other than the independent non-executive Directors), 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 SGM to consider and, if thought fit, approve the Solartech Open Offer. As at the Latest Practicable Date, Mr. Chau and his associates are interested in 132,692,000 Shares, while Mr. Zhou Jin Hua, Mr. Liu Jin Rong and their respective associates do not have any interest in Shares.

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

A notice of the SGM to be held at 9:30 a.m. on 19 January 2009 at Meeting Room 5, 7/F, HITEC, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong is set out on pages SGM-1 to SGM-4 of this circular for the purpose to consider and, if thought fit, to approve (i) the Agreements and all the transactions contemplated under the Asset Swap; and (ii) the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver, by the Independent Shareholders by way of poll.

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

PROCEDURE FOR DEMANDING A POLL

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

(a) the chairman of such meeting; or

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

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

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

RECOMMENDATION

The Board considers that the terms of the Agreements are fair and reasonable and the Asset Swap and all transactions contemplated thereunder are in the interests of Solartech and the Shareholders as a whole. The Board also considers that the Solartech Open Offer are in the interests of Solartech and the Shareholders as a whole. The Board therefore recommends the Shareholders to vote in favour of the resolutions to approval the (i) Agreements and all the transactions contemplated under the Asset Swap; and (ii) the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver at the SGM.

In relation to the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver, your attention is drawn to the letter from the Independent Board Committee on page 41 and the letter from Kingsway set out on pages 42 to 57 of this circular.

The Independent Board Committee, having taken into account the advice of Kingsway, considers that the terms of the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver are in the interests of Solartech and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver therein.

GENERAL

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

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

SOLARTECH INTERNATIONAL HOLDINGS LIMITED
榮盛科技國際控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1166)

31 December 2008

To the Independent Shareholders

Dear Sir or Madam,

I refer to the circular of the Company dated 31 December 2008 (the "Circular"), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

I have been appointed to advise you on the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver. Kingsway has been appointed as the Independent Financial Adviser to advise you and me in this regard. Details of the independent advice of Kingsway, together with the principal factors and reasons Kingsway has taken into consideration, are set out on pages 42 to 57 of the Circular.

Having considered the terms of the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver and the advice of Kingsway in relation thereto, I am of the opinion that the terms of Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable so far as Solartech and the Independent Shareholders are concerned, and the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver are in the interests of Solartech and the Shareholders as a whole. I therefore recommend that you vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver.

Yours faithfully,
Independent Board Committee
Mr. Lo Wai Ming
Independent non-executive Director

* *for identification purposes only*

The following is the full text of a letter received from Kingsway setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver for inclusion in the Circular.

匯富集團 KingswayGroup

5/F, Hutchison House,
10 Harcourt Road,
Central, Hong Kong
Tel. No.: (852) 2877-1830
Fax. No.: (852) 2283-7722

31 December 2008

To the Independent Board Committee and the Independent Shareholders of
Solartech International Holdings Limited

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Solartech Open Offer, the Whitewash Waiver and the Underwriting Agreement, details of which are set out in the letter from the Board (the "Letter from the Board") contained in the circular of the Company dated 31 December 2008 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 10 December 2008, the Company announced that it proposed to make the Solartech Open Offer on a fully underwritten basis in the proportion of four (4) Solartech Open Offer Shares for every 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 in order to raise a proceed of approximately HK$65.2 million before expenses. As the Solartech Open Offer will increase the issued share capital of the Company by more than 50% within 12 month period immediately preceding the date of the Announcement, pursuant to Rule 7.24(5) of the Listing Rules, the Solartech Open Offer must be made conditional on approval by the Independent Shareholders at the SGM.

As at the Latest Practicable Date, Mr. Chau is, directly or indirectly, beneficially interested in 132,692,000 Shares, representing approximately 22.0% of the issued share capital of the Company. Mr. Chau has irrevocably undertaken to the Company that the 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. Subject to the underwriting arrangement by the Underwriter, Mr. Chau has indicated that neither he nor his associates will take up their assured entitlements under the Solartech Open Offer. In addition, no Shareholder has indicated any intention to give any undertaking to take up any Solartech Open Offer Shares under the Solartech Open Offer.

The entering into of the Underwriting Agreement between the Company and the Underwriter is a connected transaction for the Company under the Listing Rules as the Underwriter is an associate of Mr. Chau who is a director, chief executive and substantial shareholder of the Company. No excess application of the Solartech Open Offer Shares will be available and the Solartech Open Offer Shares not validly applied for by Shareholders will be taken up by the Underwriter and/or subscribers procured by the Underwriter. The absence of excess application and the alternative arrangement for the disposal of the Solartech Open Offer Shares must be specifically approved by the Independent Shareholders at the SGM on a vote by way of poll under Rule 7.26A(2) of the Listing Rules.

In the event that any of the Solartech Open Offer Shares are not taken by the Qualifying Shareholders and the Underwriter is required to subscribe or procure subscribers for those untaken Solartech Open Offer Shares, this may result in the Underwriter, Mr. Chau and parties acting in concert with them holding 30% or more of the issued share capital of the Company as enlarged by the issue of the Solartech Open Offer Shares. Accordingly, the underwriting by the Underwriter may trigger an obligation on the part of the Underwriter to make a general offer for all the Shares not already owned or agreed to be acquired by the Underwriter, Mr. Chau and parties acting in concert with them. An application for the Whitewash Waiver has been made by Mr. Chau and the Underwriter to the Executive. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll.

The Underwriter, Mr. Chau 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 Underwriting Agreement and the Whitewash Waiver will be required to abstain from voting in relation to the resolutions to approve, among other things, the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver at the SGM, which will be voted upon by way of poll. Pursuant to Rule 7.19(6)(a) of the Listing Rules, as the Company has no controlling shareholder (as defined in the Listing Rules), the Directors (other than the independent non-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 SGM to consider and, if thought fit, to approve the Solartech Open Offer.

The Independent Board Committee, comprising Mr. Lo Wai Ming, an independent non-executive Director, has been established to advise the Independent Shareholders on the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver. The other two independent non-executive Directors, being Messrs. Chung Kam Kwong and Lo Chao Ming, who are also independent non-executive directors of Hua Yi are excluded from the Independent Board Committee in view of the material interest of Hua Yi in the Asset Swap.

BASIS OF OUR OPINION

In formulating our view and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Circular and provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and accurate as at the date of the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance, which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. The Directors have confirmed that having made all reasonable enquiries, to the best of their knowledge, there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group, Mr. Chau, the Underwriter or any of their associates.

In formulating our opinion, we have not considered the tax implications to the Independent Shareholders arising from acceptances or non-acceptances of the Solartech Open Offer as these are particular to their individual circumstances. It is emphasized that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Solartech Open Offer. In particular, the Independent Shareholders who are overseas residents or are subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver, we have considered the following principal factors and reasons:

1. Performance and prospects of the Group

The 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, which can be further classified into four continuing business segment (the "Continuing Operations"), including (i) cables and wires; (ii) copper rods; (iii) connectors and terminals; and (iv) other. As stated in the 2008 annual report of the Company (the "2008 Annual Report"), the Group disposed of its non-core business of manufacture and trading of life-like plants and ceased all the operation relating to the production, distribution and licensing of television programmes in 2007 (the "Discontinued Operations"). Hua Yi completed a placing and an acquisition during the financial year 2008, resulting in the reduction of the Company's interest in it from 59.74% to 45.42%. Hence, Hua Yi's results were consolidated into the results of the Group only up to 31 March 2008.

The table below set out the audited financial information of the Group for the two years ended 30 June 2008 extracted from the 2008 Annual Report:

	For the year ended 30 June	
	2007	**2008**
	HK$'000	*HK$'000*
Turnover, comprising	3,859,828	3,493,526
(1) Continuing Operations		
– Cables and wires	739,232	752,644
– Copper rods	2,363,605	1,904,403
– Connectors and terminals	641,032	711,919
– Other	34,823	37,847
	3,778,692	3,406,813
(2) Discontinued Operations	81,136	86,713
Profit/(Loss) before taxation, comprising	1,007	48,643
(1) Continuing Operations	29,259	43,942
(2) Discontinued Operations	(28,252)	4,701
Profit/(Loss) for the year attributable to the equity holders of the Company, comprising	782	19,847
(1) Continuing Operations	29,161	15,241
(2) Discontinued Operations	(28,379)	4,606

Source: 2008 Annual Report

As shown in the table above, the Continuing Operations recorded a decrease in turnover and profit for the year attributable to the equity holders of the Company by 9.8% and 47.7% respectively for the year ended 30 June 2008 as compared to last year. As advised by the Directors, such decrease was mainly due to the weakened consumer sentiment for home appliances and consumer electronics around the world and rising cost of raw materials and labour. Despite such economic environment, turnover of the cables and wires segment grew slightly for the year ended 30 June 2008 as compared to that last year. As stated in 2008 Annual Report and Appendix III to the Circular, during the year, turnover of connectors and terminals segment grew by 11.1% from that last year which was mainly driven by the outstanding performance of the Group's wholly-owned Brazilian subsidiary during the year due to hard work of the international sales and marketing department set up during the year.

As further set out in the 2008 Annual Report and Appendix III to the Circular, the Group will continue to focus on cost control and boosting operational efficiency aiming for stable development of the cable and wire business segment. In light of the higher profit margin and huge growth potential in the connectors and terminals/wire harnesses businesses, the Group will focus resources on developing the segment.

2. Reasons for the Solartech Open Offer

(a) Asset Swap and capital requirement

As set out in the Letter from the Board, the Group entered into the Agreements with the Hua Yi Group on 5 December 2008 which govern the proposed Asset Swap with a view to optimize the operational efficiency and profitability of the Group. As set out in the Letter from the Board, the Completion is conditional on the approval of the Solartech Open Offer, Underwriting Agreement and the Whitewash Wavier by the Independent Shareholders. The Asset Swap will result in net cash outflow of approximately HK$11.5 million of the Group.

As mentioned in the Letter from the Board, the operation of the copper rods and copper wires manufacturing business that will be acquired from the Hua Yi Group requires a large working capital due to the high raw material costs. Such operation needs are currently substantially financed by bank trade finance facilities. As such, the Directors consider that 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, and that the Solartech Open Offer is in the interest of the Company and the Shareholders as a whole.

As set out from the pro forma cash flow statement in Appendix X to the Circular, the Hua Yi Sale Companies generated only approximately HK$1.0 million in cash and cash equivalents for the year ended 30 June 2008. As of 30 June 2008, the Hua Yi Sale Companies together had a gearing ratio of 2.4 (defined as total bank borrowings divided by total equity). In this regard, it will be desirable for the Group to source additional funding to finance the operation of the Hua Yi Sale Companies after the Asset Swap.

(b) Other fund raising alternatives

As stated in the Letter from the Board, compared to bank borrowing which will impose extra interest expense burden on the Group, equity funding is a preferred financing method. The Directors advised that they have also considered other fund raising alternatives such as private placement. Since the Solartech Open Offer is fully underwritten, it is preferred by the Directors to private placement as it has smaller completion risk compared to private placement on a best efforts basis.

In addition, the Directors consider that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Solartech Open Offer since it would allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Group.

Taking into account that (i) there will be cash outlay of the Group upon completion of the Asset Swap; (ii) the fact that the Solartech Open Offer would strengthen the Group's capital base; (iii) all the Qualifying Shareholders will be offered an equal opportunity to participate in the Solartech Open Offer; and (iv) the implications of other financing alternatives to the Solartech Open Offer as mentioned above, we concur with the Directors that the Solartech Open Offer is in the interest of the Company and the Shareholders as a whole, and is a fair and reasonable means to raise capital for the Group.

3. Principal terms of the Solartech Open Offer

The Solartech Open Offer involves the issue of 2,414,617,448 Solartech Open Offer Shares on the basis of four Solartech Open Offer Shares for every Share held on the Record Date at a subscription price of HK$0.027 per Solartech Open Offer Share, payable in cash in full upon acceptance of the Solartech Open Offer. The Solartech Open Offer is fully underwritten by the Underwriter subject to the terms and conditions of the Underwriting Agreement.

(a) Subscription Price

The subscription price of HK$0.027 per Solartech Open Offer Share represents:

(i) a discount of approximately 51% to the closing price per 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 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 Share for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(iv) a discount of approximately 17% to the theoretical ex-open offer price of HK$0.0326 per Share calculated based on the closing price per Share on the Last Trading Day as referred to in (i) above; and

(v) a discount of approximately 49% to the closing price per Share of HK$0.053 as quoted on the Stock Exchange on the Latest Practicable Date.

As set out in the Letter from the Board, the subscription price for the Solartech Open Offer Shares was determined after arm's length negotiations between the Company and the Underwriter with reference to the current market price of the Shares and the volatile condition of the financial market. As the Solartech Open Offer Shares are offered to all Qualifying Shareholders, the 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 Directors consider the terms of the Solartech Open Offer, including the subscription price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(b) Review on closing prices of the Shares

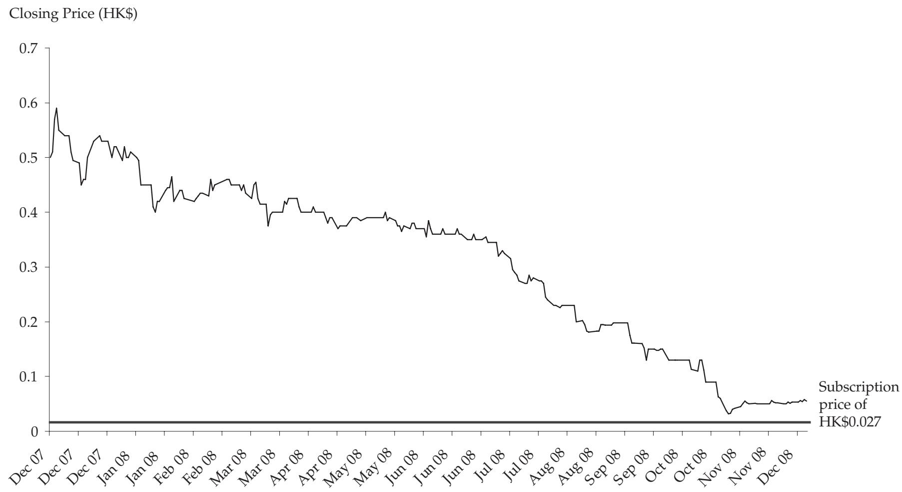
In order to opine on the fairness of the subscription price of the Solartech Open Offer Shares, we have reviewed the closing price of the Shares for the period from 1 December 2007 to the Last Trading Day (the "Review Period"), i.e. approximately twelve months prior to the date of the Announcement as set out below:

Table 1:

	Highest closing price *HK$*	**Lowest closing price** *HK$*	**Monthly average daily closing price** *HK$*
2007			
December	0.59	0.45	0.52
2008			
January	0.52	0.40	0.47
February	0.46	0.42	0.44
March	0.46	0.38	0.42
April	0.43	0.37	0.39
May	0.40	0.37	0.38
June	0.39	0.35	0.36
July	0.36	0.25	0.30
August	0.24	0.18	0.21
September	0.20	0.13	0.17
October	0.13	0.03	0.09
November	0.06	0.05	0.05
December (up to the Last Trading Day)	0.06	0.05	0.06

Source: Website of the Stock Exchange

The chart below illustrates the daily closing price of the Shares versus the subscription price of the Solartech Open Offer Shares during the Review Period:



Source: Website of the Stock Exchange

During the Review Period, the highest and the lowest closing price of the Shares were HK$0.59 on 6 December 2007 and HK$0.03 on 28 October 2008 respectively. The subscription price of the Solartech Open Offer Shares is lower than the monthly lowest closing price of the Shares and the monthly average daily closing price of the Shares in every month within the Review Period, representing a discount of approximately 95.4% and 10.0% to the highest and lowest closing price of the Shares during the Review Period. The Directors advised that the subscription price of the Solartech Open Offer Shares was set at a price lower than the recent market prices of the Shares in order to attract the Qualifying Shareholders to subscribe the Solartech Open Offer Shares.

(c) Comparison with the net asset value per share

Based on the pro forma financial information as set out in Appendix X to the Circular, the pro forma net tangible asset value per share would be HK$1.58 upon completion of the Asset Swap and the Hua Yi Placing, and HK$0.34 after completion of the Solartech Open Offer. Therefore, the subscription price of the Solartech Open Offer represents a discount of 98.3% and 92.1%, respectively, to the pro forma net asset value per share upon completion of the Asset Swap and the Hua Yi Placing, and upon completion of the Solartech Open Offer.

(d) Comparison with recent open offers

In assessing the subscription price of the Solartech Open Offer Shares, we have identified 14 open offers announced by other companies listed on the Main Board of the Stock Exchange (the "Comparables") for a 12-month period prior to the date of the Announcement, which is considered exhaustive, for comparison. Details of our findings on those open offers are summarized in the table below:

Table 2:

	Company Name	Stock Code	Date of announcement	Basis of allotment	Discount/ (Premium) of the subscription price to/(over) closing price per share on last trading day prior to the announcement	Discount/ (Premium) of the subscription price to/(over) theoretical ex-open offer price per share based on closing price per share on last trading day prior to the announcement	Underwriting commission	Excess application right
1	Prosperity Investment Holdings Limited	310	17-Jan-08	1 for 2	46.0%	36.2%	1.50%	No
2	China Oil Resources Holdings Limited	850	23-Apr-08	1 for 2	40.6%	31.3%	3.30%	No
3	China Best Group Holding Limited	370	24-Apr-08	1 for 2	37.0%	27.9%	4.25%	No
4	Starlite Holdings Limited	403	2-May-08	1 for 5	32.7%	28.9%	0	Yes
5	Burwill Holdings Limited	24	20-Jun-08	18 for 10	55.0%	30.0%	2.25%	No
6	Mandarin Entertainment (Holdings) Limited	9	4-Jul-08	19 for 10	77.5%	54.3%	2.50%	No
7	Dynamic Global Holdings Limited	231	18-Jul-08	1 for 1	22.1%	12.4%	0	Yes
8	Hycomm Wireless Limited	499	22-July-08	1 for 2	35.5%	27.0%	2.50%	Yes
9	Fortuna International Holdings Limited	530	7-Aug-08	5 for 1	86.2%	51.2%	3.00%	No
10	NewOcean Energy Holdings Limited	342	8-Aug-08	1 for 1	31.8%	18.9%	0	No
11	Chinney Alliance Group Limited	385	21-Aug-08	1 for 2	3.9%	2.6%	2.00%	Yes
12	Global Flex Holdings Limited	471	26-Aug-08	2 for 5	9.1%	N/A	3.00%	No
13	Apex Capital Limited	905	16-Oct-08	5 for 1	64.3%	23.1%	2.50%	No
14	Dore Holdings Limited	628	18-Nov-08	1 for 2	(104%)	(52%)	2.00%	Yes
				Maximum*	86.2%	54.3%	4.25%	
				Minimum*	3.9%	2.6%	0.00%	
				Average*	41.7%	28.7%	2.06%	
	Solartech Open Offer				51.0%	17.0%	2.50%	

Source: Announcements of the Comparables

* *The open offer announced by Dore Holdings Limited was priced at a premium over the closing price per share on the last trading day prior to the respective open offer announcement and to the theoretical ex-open offer price per share based on the closing price per share on the last trading day prior to the respective open offer announcement. The pricing of that open offer is considered exceptional as compared to that of other Comparables and thus may distort the result of our analysis. Therefore, such open offer is excluded in our analysis.*

It is noted that all of the Comparables (excluding Dore Holdings Limited) had priced an open offer at a discount to the closing price per share on the last trading day prior to the respective open offer announcement, and to the theoretical ex-open offer price per share based on the closing price per share on the last trading day prior to the respective open offer announcement. The subscription prices per share of the Comparables ranged from a discount of approximately 3.9% to 86.2% to the closing price per share on the last trading day prior to the respective open offer announcement, with an average discount of approximately 41.7%. Hence, the discount of 51.0% as represented by the subscription price of the Solartech Open Offer Shares falls within the range of discount and is greater than the average discount of the Comparables.

On the other hand, the subscription prices per share of the Comparables ranged from a discount of approximately 2.6% to 54.3% to the theoretical ex-open offer prices based on the closing price on the last trading day prior to the respective open offer announcement, with an average discount of approximately 28.7%. Hence, the discount of approximately 17.0% as represented by the subscription price of Solartech Open Offer Shares to the theoretical ex-open offer prices on the Last Trading Day falls within the relevant range of the Comparables.

Having considered (i) the comparison above; (ii) that the subscription price of Solartech Open Offer Shares was determined after arm's length negotiations between the Company and the Underwriter; (iii) that the discount as represented by the subscription price of the Solartech Open Offer Shares to the recent closing prices of the Shares and the net tangible asset value of the Shares; (iv) that all Qualifying Shareholders are offered an equal opportunity to participate in the Solartech Open Offer and to take up their entitlements in full at the same price to maintain their respective shareholdings in the Company; and (v) that Directors consider that the discounts of the subscription price of the Solartech Open Offer Shares as compared to the recent closing prices of the Shares would encourage the Shareholders to participate in the Solartech Open Offer, we are of the opinion and concur with the Directors that the subscription price of Solartech Open Offer Shares is fair and reasonable so far as the Independent Shareholders are concerned.

4. Potential dilution effect on the shareholding interest of the Independent Shareholders

As at the Latest Practicable Date, the Company is owned as to approximately 78.02% by the Independent Shareholders. If all the Qualifying Shareholders choose not to take up their assured entitlements, their shareholdings will be diluted to approximately 15.6%. As set out in the Letter from the Board, the Underwriter and its shareholders, namely Mr. Chau and Mr. Lau, will, prior to the despatch of the Prospectus Documents by the Company, will place down the Solartech Open Offer Shares to maintain public float of the Company should the Underwriter, Mr. Chau and parties acting in concert with them hold in excess of 75% of the issued share capital of the Company as a result of the subscription of the untaken Solartech Open Offer Share under the Underwriting Agreement. As such, if all the Qualifying Shareholders (other than Mr. Chau and his associate) choose not to take up in full their assured allotments under the Solartech Open Offer, their shareholdings in the Company will be diluted to 25%.

Taking into account the fact that the Solartech Open Offer enables the Qualifying Shareholders to maintain their proportionate interests in the Company should they wish to do so and provides an equal opportunity among the Qualifying Shareholders to participate in the future growth and development of the Company, although the shareholding interests of those Qualifying Shareholders who do not take up their entitlements under the Solartech Open Offer will be diluted, we consider that the potential dilution effect of the Solartech Open Offer is acceptable.

5. Financial effects of the Solartech Open Offer

The Solartech Open Offer is conditional on, among other things, the Asset Swap having completed, which is in turn conditional on Hua Yi Placing being completed. Therefore, by the time that the Solartech Open Offer will take place, the Asset Swap and the Hua Yi Placing should have been completed. In analysing the financial effects of the Solartech Open Offer, comparison is made by comparing the pro forma financial information of the Solartech Remaining Group after completion of the Asset Swap and the Hua Yi Placing and after the Solartech Open Offer, with reference to the pro forma information of the Solartech Remaining Group as contained in Appendix X to the Circular. In this section, "before completion of the Solartech Open Offer" refers to the situation before completion of the Solartech Open Offer but after completion of the Asset Swap and the Hua Yi Placing, and "after completion of the Solartech Open Offer" refers to the situation after completion of the Solartech Open Offer, the Asset Swap and the Hua Yi Placing.

(a) Net tangible assets

Based on the information set out in Appendix X to the Circular, the total net tangible asset value of the Group would be HK$952,045,000 before completion of the Solartech Open Offer. Accordingly, the unaudited pro forma net tangible assets per share of the Solartech Remaining Group before completion of the Solartech Open Offer would be HK$1.58 per Share, based on a total of 603,654,362 shares in issue before completion of the Solartech Open Offer. Upon completion of the Solartech Open Offer, the unaudited pro forma consolidated net tangible asset value per Share would decrease to approximately HK$0.34. Such decline is mainly due to the deep discount of the subscription price of the Solartech Open Offer Share to the pro forma consolidated net tangible asset value per Share before completion of the Solartech Open Offer.

As mentioned in the Letter from the Board and discussed in the paragraphs headed "Reasons for the Solartech Open Offer" above, the operation of the copper rods and copper wires manufacturing business that will be acquired from the Hua Yi Group requires a large working capital due to the high raw material costs. Such operation needs are currently substantially financed by bank trade finance facilities. The Hua Yi Sale Companies together generated only approximately HK$1.0 million cash and cash equivalents for the year ended 30 June 2008. As such, the Directors consider that 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, and that the Solartech Open Offer is in the interest of the Company and the Shareholders as a whole.

Given the prevailing volatile condition of the financial market and that the Solartech Open Offer Shares are offered to all Qualifying Shareholders, the Directors consider it necessary to fix the subscription price of the Solartech Open Offer Shares at a level that would attract the Qualifying Shareholders to participate in the Solartech Open Offer. In fact, as noted from Table 1, the recent closing price of the Shares is already at a deep discount to the net tangible asset value of the Solartech Remaining Group. In order to make the Solartech Open Offer attractive to the Qualifying Shareholders, the subscription price will have to be at a discount to the closing price, and hence at an even bigger discount to the net tangible asset value.

Considering the capital requirement of the Solartech Remaining Group, the current trading price of the Shares and the prevailing market conditions, we are in the opinion that the decrease in the net asset value after completion of the Solartech Open Offer is acceptable.

(b) Working capital

Upon completion of the Solartech Open Offer, the cash and cash equivalents of the Solartech Remaining Group would increase by the amount of net proceeds of approximately HK$60.0 million from the Solartech Open Offer. Consequently, the net current assets and current ratio would be improved. Hence, we consider that the Solartech Open Offer is favourable to the Group.

(c) Gearing ratio

Based on the pro forma financial information set out in Appendix X to the Circular, the gearing ratio (being the ratio of total bank borrowings divided by total equity) would be 0.67 upon completion of Asset Swap and the Hua Yi Placing but before the Solartech Open Offer. Upon completion of the Solartech Open Offer, the gearing ratio of the Group would decrease to 0.63 as a result of the inflow of the net proceeds. Hence, the gearing position of the Company will be improved after completion of the Solartech Open Offer.

Taking into account the cash needs of the business of the Solartech Remaining Group and the improvement in working capital and gearing ratio, we consider that the Solartech Open Offer is in the interests of the Company and the Shareholders as a whole.

6. Underwriting Agreement

The Underwriter, which is an associate of Mr. Chau, has conditionally agreed to fully underwrite all the Solartech Open Offer Shares at a subscription price of HK$0.027 each under the Underwriting Agreement. As set out in the Letter from the Board, the Company needs to pay an underwriting commission of 2.5% to the Underwriter. Such rate falls within the range of nil to 4.25% among the Comparables as shown in Table 2 above and therefore we believe that it is reasonable.

Having considered that the underwriting commission under the Underwriting Arrangement is within the range among the Comparables, we consider that the terms of the Underwriting Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

7. Absence of arrangement for application for excess Solartech Open Offer Shares

As set out in the Letter from the Board, after arm's length negotiation with the Underwriter, the Company decided that the Qualifying Shareholders are not entitled to apply for any Solartech Open Offer Shares which are in excess of their assured entitlements. 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.

Each Qualifying Shareholder will be given equal and fair opportunities to participate in the Company's future development by subscribing for his/her/its entitlements under the Solartech Open Offer. The Directors consider that as the subscription price is determined in such a way that is reasonably attractive to encourage all Shareholders to take up their assured entitlements, it is expected that the Underwriter will only be obliged to subscribe or procure subscribers to those minimal Underwritten Shares not taken up by the Qualifying Shareholders. In this regard, the Directors consider that the absence of excess application can alleviate the administrative burden and avoid incurring additional costs by the Company for the arrangement of excess application.

As set out from the Letter from the Board, the Underwriter is an associate of Mr. Chau who is a director, chief executive and substantial shareholder of the Company. The Directors advise that they have considered appointing independent third party as the underwriter. However, given the prevailing volatile condition of the financial market, they were not able to source independent third parties within a reasonable time frame to underwrite the Solartech Open Offer Shares on terms that are more acceptable to the Board.

We noted from the Comparables that the absence of excess application is not uncommon. Furthermore, of the 9 open offers without an excess application arrangement, 4 were underwritten by a connected person of the Comparables. Therefore, we consider that it is not uncommon to have connected person as the underwriter in cases where there is no excess applications.

Having considered that (i) the fact that the subscription price is reasonably attractive to the Shareholders; (ii) the arrangement can alleviate the administrative burden and avoid incurring additional costs ; (iii) the Qualifying Shareholder will be given equal and fair opportunities to subscribe the Solartech Open Offer Shares; (iv) the subscription price is reasonably attractive to encourage all Shareholders to take up their assured entitlements; (v) finding independent third parties as an underwriter within a reasonable time frame is difficult under the prevailing volatile condition of the financial market; and (vi) having a connected person as the underwriter of the company in cases where there is no arrangement for excess application is not an uncommon practice in the market, we are of the view that the absence of the arrangement for the excess application and the Underwriter being a connected person of the Company are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

8. Whitewash Waiver

As at the Latest Practicable Date, the Underwriter, Mr. Chau and parties acting in concert with them (including Kingston Securities) are interested in a total of 132,693,100 Shares, representing approximately 22.0% of the issued share capital of the Company. Mr. Chau has irrevocably undertaken to the Company that the 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. Subject to the underwriting arrangement by the Underwriter, Mr. Chau has indicated that neither he nor his associates will take up their assured entitlements under the Solartech Open Offer. In addition, no Shareholder has indicated any intention to give any undertaking to take up any Solartech Open Offer Shares under the Solartech Open Offer.

In the event that any of the Solartech Open Offer Shares are not taken up by the Qualifying Shareholders and the Underwriter is required to subscribe or procure subscribers for those untaken Solartech Open Offer Shares, this may result in the Underwriter, Mr. Chau, and parties acting in concert with them holding 30% or more of the issued share capital of the Company as enlarged by the issue of the Solartech Open Offer Shares. Accordingly, the underwriting by the Underwriter may trigger an obligation on the part of the Underwriter to make a general offer for all the Shares not already owned or agreed to be acquired by the Underwriter, Mr. Chau and parties acting in concert with them . An application has been made by Mr. Chau and the Underwriter to the Executive for the Whitewash Waiver.

As stated in the Letter from the Board, the Solartech Open Offer and the Underwriting Agreement are inter-conditional and that it is one of the conditions of the Underwriting Agreement that the Whitewash Waiver be obtained. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Solartech Open Offer will not proceed. As a result, the Company will lose all the benefits that are expected to be brought by the Solartech Open Offer, including but not limited to, the availability of funds out of the net proceeds to be raised from the Solartech Open Offer for strengthening the financial position of the Group.

9. Hua Yi Placing

The Solartech Open Offer is subject to certain conditions, one of which is that 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. The Solartech Open Offer is also conditional on the completion of the Asset Swap, which is in turn conditional on the completion of the Hua Yi Placing. Therefore, if the Solartech Open Offer shall take place, the Hua Yi Placing would have been completed already.

As mentioned in the Announcement, as a result of completion of the Hua Yi Placing, the shareholding of the Company in Hua Yi will be diluted from approximately 45.4% to approximately 28.6%, which will lead to a smaller contribution of Hua Yi to the Group's results, the Company will remain as the single largest shareholder of Hua Yi. In addition, the Company would record an estimated loss on deemed disposal of investment in Hua Yi Shares of approximately HK$110.7 million based on information contained in Appendix X to the Circular which will affect the Group's results. However, since the estimated loss on deemed disposal is a non-cash transaction for the Company, the Directors consider that there it will not have significant impact on the operation or performance of the Company.

10. Others

Independent Shareholders are reminded that the Asset Swap is conditional on the Solartech Open Offer, Underwriting Agreement and the Whitewash Waiver being approved by the Independent Shareholders. In the event that the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver are not approved by the Independent Shareholders, the Asset Swap may not proceed. At the same time, the Solartech Open Offer is conditional on completion of the Asset Swap. In the event that the Asset Swap is not approved by the Independent Shareholders, the Solartech Open Offer may not proceed.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that the terms of the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Kingsway Capital Limited

Chu Tat Hoi — *Executive Director*

Liu Kam Yin — *Director*

1. FINANCIAL SUMMARY

The following is the consolidated financial information of the Group for the three years ended 30 June 2008, as extracted from the relevant annual reports of the Company.

Results

	Year ended 30 June 2008	Year ended 30 June 2007	Year ended 30 June 2006
	HK$'000	*HK$'000*	*HK$'000*
Turnover	3,493,526	3,859,828	2,115,548
Profit/(loss) before taxation	48,643	1,007	135,356
Taxation	(24,190)	(5,923)	(21,354)
Profit/(loss) for the year	24,453	(4,916)	114,002
Profit/(loss) attributable to:			
Equity holders of the Company	19,847	782	78,856
Minority interests	4,606	(5,698)	35,146
	24,453	(4,916)	114,002

Assets and liabilities

	At 30 June 2008	At 30 June 2007	At 30 June 2006
	HK$'000	*HK$'000*	*HK$'000*
Total assets	1,711,043	2,434,169	2,119,212
Total liabilities	(624,938)	(1,297,543)	(965,606)
	1,086,105	1,136,626	1,153,606
Attributable to:			
Equity holders of the Company	1,083,402	942,554	944,656
Minority interests	2,703	194,072	208,950
	1,086,105	1,136,626	1,153,606

Note: No qualified opinion has been issued by the Company's auditors in respect of the financial statements for the three financial years. No extraordinary item or exceptional item was recorded for each of the three years ended 30 June 2008.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below are the audited consolidated income statement, consolidated balance sheet, consolidated cash flow statement and consolidated statement of changes in equity of the Group together with the notes to the financial statements of the Group as extracted from the annual report of the Company for the year ended 30 June 2008. References to page numbers in this section are to the page numbers of such annual report of the Company.

Consolidated Income Statement

For the year ended 30 June 2008

		Continuing operations		Discontinued operations		Total	
		2008	2007	2008	2007	2008	2007
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	6	3,406,813	3,778,692	86,713	81,136	3,493,526	3,859,828
Cost of sales		(3,190,065)	(3,540,442)	(72,463)	(67,383)	(3,262,528)	(3,607,825)
Gross profit		216,748	238,250	14,250	13,753	230,998	252,003
Interest income		16,551	24,158	308	705	16,859	24,863
Other income		31,944	29,555	951	1,264	32,895	30,819
General and administrative expenses		(192,593)	(168,368)	(8,248)	(10,180)	(200,841)	(178,548)
Selling and distribution expenses		(39,697)	(32,669)	(2,112)	(2,871)	(41,809)	(35,540)
Change in fair value of derivative financial instruments	22	47,830	(269)	–	–	47,830	(269)
Change in fair value of conversion option of convertible notes	29	7,167	5,325	–	–	7,167	5,325
Reversal of allowance/(allowance) for doubtful debts	20	598	(5,884)	–	(181)	598	(6,065)
Impairment loss arising from adjustment to fair value less cost to sell	32	–	–	–	(28,000)	–	(28,000)
Finance costs	10	(55,616)	(64,132)	(448)	(2,742)	(56,064)	(66,874)
Share of results of associates	16	284	148	–	–	284	148
Share of results of jointly-controlled entities	17	(625)	(369)	–	–	(625)	(369)
Discount on acquisition of additional interests in a subsidiary	34	–	4,581	–	–	–	4,581
Gain/(loss) on deemed disposal of a listed subsidiary	34	11,351	(1,067)	–	–	11,351	(1,067)
Profit/(loss) before taxation	8	43,942	29,259	4,701	(28,252)	48,643	1,007
Taxation	11	(24,095)	(5,796)	(95)	(127)	(24,190)	(5,923)
Profit/(loss) for the year		19,847	23,463	4,606	(28,379)	24,453	(4,916)

		Continuing operations		Discontinued operations		Total	
		2008	**2007**	**2008**	**2007**	**2008**	**2007**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) for the year attributable to:							
Equity holders of the Company		15,241	29,161	4,606	(28,379)	19,847	782
Minority interests		4,606	(5,698)	–	–	4,606	(5,698)
		19,847	23,463	4,606	(28,379)	24,453	(4,916)
Dividends	*12*						
Paid		–	29,249	–	–	–	29,249
Earnings per share	*13*						
from continuing and discontinued operations							
– Basic						3.50 HK cents	0.16 HK cent
– Diluted						3.42 HK cents	0.15 HK cent
							(Restated)
from continuing operations							
– Basic						2.68 HK cents	5.99 HK cents
– Diluted						2.63 HK cents	5.05 HK cents

Consolidated Balance Sheet
At 30 June 2008

	NOTES	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	565,207	611,996
Prepayments for acquisition of property, plant and equipment	14	17,443	22,648
Prepaid lease payments for land – non-current portion	15	46,455	80,220
Interests in associates	16	322,417	11,196
Interests in jointly-controlled entities	17	–	18,023
Deferred tax assets	31	6,316	6,275
Goodwill	18	23,389	23,389
Loans receivable	24	–	46,898
		981,227	820,645
Current assets			
Inventories	19	266,765	512,092
Debtors, other loans and receivables, deposits and prepayments	20	311,844	516,946
Bills receivable	21	24,484	62,733
Prepaid lease payments for land – current portion	15	1,189	1,801
Derivative financial assets	22	1,702	2,034
Notes receivable	23	–	55,000
Tax recoverable		1,396	454
Pledged deposits and bank balances	37, 40	36,619	96,650
Bank balances and cash	40	85,817	286,070
		729,816	1,533,780
Assets classified as held for sale	32	–	79,744
		729,816	1,613,524
Current liabilities			
Creditors, other advances and accrued charges	25	198,563	232,468
Bills payable	26	12,613	161,019
Amount due to an associate	16	202,054	–
Taxation		7,333	11,289
Obligations under finance leases	27	3,707	3,185
Borrowings	28	155,450	717,719
Derivative financial liabilities	22	9,171	9,967
Convertible notes – liability component	29	–	72,128
Convertible notes – conversion option component	29	–	7,167
		588,891	1,214,942

	NOTES	2008 HK$'000	2007 HK$'000
Liabilities associated with assets classified as held for sale	32	–	20,332
		588,891	1,235,274
Net current assets		140,925	378,250
Total assets less current liabilities		1,122,152	1,198,895
Non-current liabilities			
Borrowings	28	17,065	20,408
Obligations under finance leases	27	3,469	4,821
Deferred consideration payable	33	10,342	16,297
Deferred tax liabilities	31	5,171	20,743
		36,047	62,269
Net assets		1,086,105	1,136,626
EQUITY			
Capital and reserves			
Share capital	30	6,037	4,892
Reserves		1,072,570	933,534
Equity attributable to equity holders of the Company		1,078,607	938,426
Share option reserve of a listed associate/subsidiary		4,795	4,128
Minority interests		2,703	194,072
Total equity		1,086,105	1,136,626

Consolidated Statement of Changes in Equity

For the year ended 30 June 2008

	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Exchange reserve *HK$'000*	Statutory reserve fund *HK$'000*	Share option reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Share option reserve of a listed subsidiary/ associate *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
At 1 July 2006	4,851	160,200	587,012	(4,281)	4,474	1,783	187,052	941,091	3,565	208,950	1,153,606
Exchange differences arising on translation of foreign operations and share of reserve of jointly-controlled entities and total income for the year recognised directly in equity	-	-	-	23,337	-	-	-	23,337	-	7,597	30,934
Profit for the year	-	-	-	-	-	-	782	782	-	(5,698)	(4,916)
Total recognised income for the year	-	-	-	23,337	-	-	782	24,119	-	1,899	26,018
Repurchase of shares *(Note 30)*	(9)	(912)	-	-	-	-	-	(921)	-	-	(921)
Issue of shares upon exercise of share options	50	1,150	-	-	-	-	-	1,200	-	-	1,200
Transfer upon exercise of share options	-	362	-	-	-	(362)	-	-	(438)	438	-
Forfeiture of share options	-	-	-	-	-	(646)	1,847	1,201	(1,201)	-	-
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	(10,539)	(10,539)
Recognition of equity-settled share based payments	-	-	-	-	-	985	-	985	2,202	-	3,187
Increase in minority interests arising from deemed disposal of a listed subsidiary	-	-	-	-	-	-	-	-	-	2,716	2,716
Dividends paid	-	-	-	-	-	-	(29,249)	(29,249)	-	-	(29,249)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	(9,392)	(9,392)
Appropriation	-	-	-	-	616	-	(616)	-	-	-	-
At 30 June 2007	4,892	160,800	587,012	19,056	5,090	1,760	159,816	938,426	4,128	194,072	1,136,626

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory reserve fund HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000	Share option reserve of a listed subsidiary/ associate HK$'000	Minority interests HK$'000	Total equity HK$'000
Exchange differences arising on translation of foreign operations, hedges of net investment in foreign operations and share of reserve of associates and jointly-controlled entities and total income for the year recognised directly in equity	-	-	-	52,351	-	-	-	52,351	-	19,051	71,402
Profit for the year	-	-	-	-	-	-	19,847	19,847	-	4,606	24,453
Total recognised income for the year	-	-	-	52,351	-	-	19,847	72,198	-	23,657	95,855
Placement of new shares *(Note 30)*	970	62,996	-	-	-	-	-	63,966	-	-	63,966
Issue of shares upon exercise of share options *(Note 30)*	175	4,951	-	-	-	-	-	5,126	-	-	5,126
Transfer upon exercise of share options	-	496	-	-	-	(496)	-	-	-	-	-
Forfeiture of share options	-	-	-	-	-	(1,034)	1,152	118	(118)	-	-
Appropriation	-	-	-	-	13,356	-	(13,356)	-	-	-	-
Increase in minority interests arising from deemed disposal of a listed subsidiary before re-classification into an associate	-	-	-	-	-	-	-	-	-	90,249	90,249
Re-classification of interest in a subsidiary into an associate *(Note 34)*	-	-	-	(9,235)	(6,897)	-	10,091	(6,041)	(3,194)	(305,275)	(314,510)
Recognition of equity-settled share based payments *(Note 39)*	-	-	-	-	-	4,814	-	4,814	3,979	-	8,793
At 30 June 2008	6,037	229,243	587,012	62,172	11,549	5,044	177,550	1,078,607	4,795	2,703	1,086,105

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

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, hedges of net investment in foreign operations and share of reserves of associates and jointly-controlled entities.

The statutory reserve fund of the Group represents reserve required by the relevant People's Republic of China ("PRC") laws applicable to the Company's PRC subsidiaries and share of statutory reserve fund of an associate.

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to the eligible parties.

Consolidated Cash Flow Statement
For the year ended 30 June 2008

	2008	2007
	HK$'000	*HK$'000*
Operating activities		
Profit before taxation	48,643	1,007
Adjustments for:		
Equity-settled share-based payments	8,793	3,187
Loss on disposal of property, plant and equipment	1,770	3,242
Depreciation of property, plant and equipment	63,424	56,175
Charge of prepaid lease premium for land	2,273	2,183
Change in fair value of derivative financial instruments	(47,830)	269
Change in fair value of conversion option of convertible notes	(7,167)	(5,325)
Write down of inventories	2,150	3,798
(Reversal of allowance)/allowance for doubtful debts	(598)	6,065
Impairment loss arising from adjustment to fair value less cost to sell	–	28,000
Share of results of associates	(284)	(148)
Share of results of a jointly-controlled entity	625	369
(Gain)/loss on deemed disposal of a listed subsidiary	(11,351)	1,067
Discount on acquisition of additional interests in a subsidiary	–	(4,581)
Interest income	(16,859)	(24,863)
Finance costs	56,064	66,874
Operating cash flows before movements in working capital	99,653	137,319
Decrease/(increase) in inventories	26,407	(150,589)
(Increase)/decrease in debtors, other loans and receivables, deposits and prepayments	(162,809)	40,560
Decrease/(increase) in bills receivable	32,329	(28,016)
Increase/(decrease) in creditors, other advances and accrued charges	6,548	(27,566)
(Decrease)/increase in bills payable	(72,182)	78,021
Decrease in derivative financial instruments	26,519	12,249
Increase in net assets classified as held for sale	(9,963)	–
Increase in amount due to associate	16,374	–
Cash (used in)/generated from operations	(37,124)	61,978
Hong Kong profits tax paid	(2,131)	(3,701)
Taxation in other jurisdictions paid	(19,259)	(4,430)
Net cash (outflow)/inflow from operating activities	(58,514)	53,847

	NOTES	2008 HK$'000	2007 HK$'000
Investing activities			
Interest received		16,859	24,863
Purchase of property, plant and equipment		(114,706)	(101,459)
Additions of prepaid lease premium for land		(4,260)	(959)
Prepayments for acquisition of property, plant and equipment		(17,443)	(22,648)
Proceeds from disposal of property, plant and equipment		5,115	3,277
Loan advanced to a third party		–	(15,338)
Acquisition of subsidiaries	33	–	(61,629)
Acquisition of additional interests in subsidiaries		–	(5,958)
Decrease/(increase) in pledged deposits and bank balances		60,031	(34,858)
Repayment in note receivables		55,000	–
Payment of deferred considerations		(160)	–
Repayment of loans receivable		30,324	–
Net cash generated from/(used in) investing activities		30,760	(214,709)
Financing activities			
Interest paid on bank borrowings		(49,947)	(56,450)
Interest paid on finance leases		(645)	(1,035)
Proceeds from placement of shares		63,966	1,200
Proceeds from issue of shares of a listed subsidiary		110,278	1,649
Proceeds received from exercise of share options		5,126	–
Repurchase of shares		–	(921)
Reclassification of a listed subsidiary into an associate	34	(102,038)	–
Repayment of obligations under finance leases		(713)	(2,617)
New bank loans and trust receipt loans raised		1,638,069	2,285,249
Repayment of bank loans and trust receipt loans		(1,776,890)	(2,099,461)
Dividends paid		–	(29,249)
Dividends paid to minority shareholders		–	(9,392)
Repayment of convertible notes		(77,600)	–
Net cash (used in)/generated from financing activities		(190,394)	88,973

	2008	2007
	HK$'000	*HK$'000*
Net decrease in cash and cash equivalents	(218,148)	(71,889)
Cash and cash equivalents at beginning of the year	290,795	358,228
Effect of foreign exchange rate changes	7,557	4,456
Cash and cash equivalents at end of the year	80,204	290,795
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	85,817	286,070
Bank overdrafts	(5,613)	–
	80,204	286,070
Bank balances and cash attributable to assets classified as held for sale	–	4,725
	80,204	290,795

Notes to the Consolidated Financial Statements

For the year ended 30 June 2008

1. ORGANISATION AND OPERATIONS

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information in the annual report.

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

The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

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

In the current year, the Group has applied all of the new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The impact of the adoption of HKFRS 7 "Financial Instruments: Disclosures" and HKAS 1 Amendment "Capital Disclosures" has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

The Group has not early applied the following new standards, amendment and interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of their initial application.

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKASs 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKFRS 2 (Amendment)	Share-based payment – vesting conditions and cancellation	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – Int 12	Service concession arrangements	1 January 2008
HK(IFRIC) – Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) – Int 14	HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008
HK(IFRIC) – Int 15	Agreements for the construction of real estate	1 January 2009
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	1 October 2008

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of preparation of financial statements

The consolidated financial statements have been prepared on the historical cost convention, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the consolidated financial statements of the Company and its subsidiaries. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

All significant inter-company transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

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

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

Business combinations

Acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

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

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

Joint ventures

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly-controlled entities. Joint control exists when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

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

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

Non-current assets held for sale

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

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

Goodwill

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

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

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

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

Revenue recognition

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

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

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

(iii) Rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease term.

(iv) Revenue for providing services is recognised when the services have been rendered.

Borrowing costs

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

Property, plant and equipment

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

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

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

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

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

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined are carried at cost, less any recognised impairment losses. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Prepaid lease payments for land

Prepaid lease payments for land are stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The costs of prepaid lease payments for land are amortised on a straight-line basis over the respective terms of the land use rights.

Impairment of assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and impairment losses are recognised in profit or loss.

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

Inventories

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

Taxation

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

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

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly-controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Research and development expenditure

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

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

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

Leases

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

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

Foreign currencies

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Financial instruments

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

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

Financial assets

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

Financial liabilities and equity

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

Borrowings

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

Convertible notes

Convertible notes issued by the Company, which conversion options were not at fixed amount for a fixed number of equity instruments, are recognised as hybrid financial instruments in form of financial liability with embedded derivatives. Conversion option will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the conversion option components are recognised at fair value and the liability component of convertible notes is recognised as the residual amount after separating the conversion option derivative.

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

Financial guarantee contract liabilities

Financial guarantee contract liabilities of the Company are measured initially at their fair value and are subsequently measured at the higher of:

– the amount of the obligation under the contract, as determined in accordance with the provision policies; or

– the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Other financial liabilities

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset/liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments through the expected life of the financial asset/liability, or where appropriate, a shorter period.

Equity instruments

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments, hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments, or hedges of net investments in foreign operations.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, in respect of foreign currency risk. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain and loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised in profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity in the exchange reserve. The gain or loss relating to the ineffective portion is recognised in profit or loss, and is included in the consolidated income statement.

Gains and losses deferred in the exchange reserve are recognised in profit or loss on the disposal of the foreign operations.

Derivatives not qualified for hedging

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

Embedded derivatives

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

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

Derecognition

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Equity-settled share-based payment transactions

Share options granted to employees of the Company

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

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

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

Share options granted to others

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

Employees' benefits

Short term benefits

Salaries, annual bonuses, paid annual leaves and other allowances are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

Defined contribution pension obligations

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees. The Group has no further payment obligations once the contributions have been paid.

Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Fair value estimation

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management will reassess the estimations at each balance sheet date.

Impairment of trade debtors and other assets

The Group's management determines the allowance for impairment of trade debtors. This estimate is based on the credit history of its customers and the current market condition. Management will reassess the allowance at each balance sheet date.

Depreciation of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis and reducing balance method over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and the estimated residual values, if any, of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Equity-settled share-based payments

Equity-settled share-based payments is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the consolidated income statement and equity-settled share-based payments.

5. FINANCIAL RISK MANAGEMENT

a. Financial risk management objectives and policies

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

Foreign currency risk

Most of the Group's assets and liabilities are denominated in Hong Kong dollars, United States dollars, Renminbi and Brazil Real, which are the functional currencies of respective group companies. There is also no significant exposure arising from the outstanding foreign exchange forward contracts. The Group does not expect any significant exposure to foreign currency risks.

Credit risk

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

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

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

Except for the financial guarantees given by the Group as set out in Note 46, the Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in Note 20.

Interest rate risk

Cash flow interest rate risk is the risk that the cash flows of the financial instruments will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of the financial instruments will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk which relates primarily to the Group's floating rate bank borrowings and the details of borrowings are disclosed in Note 28. Management closely monitors cash flow interest rate risk and will consider hedging significant interest rate exposure should the need arise. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's fair value interest rate risk relates primarily to zero coupon convertible notes. The management would consider hedging significant fair value interest rate exposure should the need arise. Convertible notes were fully settled during the year.

The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 28.

At 30 June 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after taxation and retained profits by approximately HK$1,232,000 (2007: increase/decrease the loss of HK$7,381,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay.

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008					
Borrowings	172,515	188,583	165,994	6,963	15,626
Obligations under finance leases	7,176	7,931	3,962	–	3,969
Creditors, other advances and accrued charges, bills payable and amount due to an associate	413,230	414,601	414,601	–	–
Deferred consideration payable	10,342	12,360	–	7,193	5,167
	603,263	623,475	584,557	14,156	24,762
Derivative financial liabilities	9,171	9,171	9,171	–	–
	9,171	9,171	9,171	–	–
2007					
Borrowings	738,127	767,159	743,061	5,773	18,325
Obligations under finance leases	8,006	8,969	3,604	–	5,365
Creditors, other advances and accrued charges, bills payable and amount due to an associate	393,487	394,381	394,381	–	–
Deferred consideration payable	16,297	19,582	–	7,222	12,360
Convertible notes	72,128	77,600	77,600	–	–
	1,228,045	1,267,691	1,218,646	12,995	36,050
Derivative financial liabilities	9,967	9,967	9,967	–	–
	9,967	9,967	9,967	–	–

Copper price risk

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

At 30 June 2008, it is estimated that a general increase/decrease of 10% in copper future contract price, with all other variables held constant, would increase/decrease the Group's profit after taxation and retained profits by approximately HK$4,983,000 (2007: decrease/increase the loss of HK$14,818,000) in respect of the instruments outstanding throughout the year.

The sensitivity analysis above has been determined assuming that the change in copper future contract price had occurred at the balance sheet date and had been applied to the exposure to copper future contract price risk for both derivative and non-derivative financial instruments in existence at that date. The 10% increase or decrease represents management's assessment of a reasonably possible change in copper future contract price over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

b. Fair value

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

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

- the fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials according to professional valuation report, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their corresponding fair values.

6. TURNOVER

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

An analysis of the goods sold is presented in Note 7 to the consolidated financial statements.

7. SEGMENTAL INFORMATION

Business segments

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

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

As detailed in Note 32, on 21 May 2007, the Company announced a plan to dispose of its business of manufacture and trading of life-like plants which was carried on by Hua Yi Copper Holdings Limited ("Hua Yi Copper"), the then listed subsidiary of the Company. Hua Yi Copper and its subsidiaries are referred to as the Hua Yi Copper Group. As a result, the business segment of manufacture and trading of life-like plants was classified as discontinued operation in the prior year. According to the supplemental agreements entered into among the Hua Yi Copper Group, the purchaser and Kong Sun Holdings Limited (the holding company of the purchaser), the long stop date and the disposal of the business of manufacture and trading of life-like plants was extended during the year. On 22 April 2008, Hua Yi Copper became an listed associate of the Company as a result of deemed disposal as further detailed in Note 34.

During the prior year, the Group ceased all the operations relating to the production, distribution and licensing of television programmes. The related inventories, which were master tapes of television programmes, have been fully sold or written off and no further sales transaction would be generated from this business segment. Accordingly, the business segment of production, distribution and licensing of television programmes was classified as discontinued operation in the prior year.

For the year ended 30 June 2008

	Continuing operations					Discontinued operations				
	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution licensing of and television programmes	Total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER										
External sales	752,644	1,904,403	711,919	37,847	3,406,813	86,713	–	86,713	–	3,493,526
Inter-segment sales	19,185	254,601	428	–	274,214	–	–	–	(274,214)	–
Total sales	771,829	2,159,004	712,347	37,847	3,681,027	86,713	–	86,713	(274,214)	3,493,526

Inter-segment sales are charged at cost.

	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution licensing of and television programmes	Total	Elimination	Consolidated
RESULTS										
Segment results	21,930	37,351	66,419	(4,659)	121,041	5,736	–	5,736		126,777
Unallocated corporate income					9,403			–		9,403
Unallocated corporate expenses					(49,063)			(587)		(49,650)
Impairment loss arising from adjustment to fair value less cost to sell					–			–		–
Change in fair value of conversion option of convertible notes					7,167			–		7,167
Finance costs					(55,616)			(448)		(56,064)
Share of results of associates	284				284			–		284
Share of results of jointly-controlled entities		(625)			(625)			–		(625)
Discount on acquisition of subsidiaries					–			–		–
Gain on deemed disposal of a listed subsidiary					11,351			–		11,351
Profit before taxation					43,942			4,701		48,643
Taxation					(24,095)			(95)		(24,190)
Profit for the year					19,847			4,606		24,453

At 30 June 2008

	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life like plants	Production distribution and licensing of television programmes	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET									
Assets									
Segment assets	924,516	–	296,298	86,598	1,307,412			–	1,307,412
Interests in associates	–	–	–	322,417	322,417			–	322,417
Unallocated corporate assets	–	–	–	–	81,214			–	81,214
Consolidated total assets					1,711,043			–	1,711,043
Liabilities									
Segment liabilities	478,095	–	102,563	31,196	611,854			–	611,854
Unallocated corporate liabilities					13,084			–	13,084
Consolidated total liabilities					624,938			–	624,938

Other Information

	Continuing operations					Discontinued operations				
	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution licensing of and television programmes	Total	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	95,034	3,072	16,094	23,154	137,354	–	–	–	–	137,354
Depreciation	26,336	12,917	14,685	9,486	63,424	–	–	–	–	63,424
Allowance for doubtful debts	(651)	53	–	–	(598)	–	–	–	–	(598)
Write down of inventories	2,654	–	(504)	–	2,150	–	–	–	–	2,150

For the year ended 30 June 2007

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

Inter-segment sales are charged at cost.

	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Production, distribution licensing of and television programmes	Total	Elimination	Consolidated
RESULT										
Segment result	1,663	62,423	30,861	2,165	97,112	2,336	(551)	1,785		98,897
Unallocated corporate income					13,215			705		13,920
Unallocated corporate expenses					(25,554)			–		(25,554)
Impairment loss arising from adjustment to fair value less cost to sell					–			(28,000)		(28,000)
Finance costs					(64,132)			(2,742)		(66,874)
Change in fair value of conversion option of convertible notes					5,325			–		5,325
Share of results of associates	148				148			–		148
Share of results of jointly-controlled entities	(369)				(369)			–		(369)
Discount on acquisition of subsidiaries					4,581			–		4,581
Loss on deemed disposal of a listed subsidiary					(1,067)			–		(1,067)
Profit/(loss) before taxation					29,259			(28,252)		1,007
Taxation					(5,796)			(127)		(5,923)
Profit/(loss) for the year					23,463			(28,379)		(4,916)

At 30 June 2007

	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life like plants	Production distribution and licensing of television programmes	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET									
Assets									
Segment assets	855,989	887,393	236,818	40,829	2,021,029	74,930	938	75,868	2,096,897
Interests in associates	11,196	–	–	–	11,196			–	11,196
Interests in jointly-controlled entities	–	18,023	–	–	18,023			–	18,023
Unallocated corporate assets					303,239			4,814	308,053
Consolidated total assets					2,353,487			80,682	2,434,169
Liabilities									
Segment liabilities	114,533	180,016	98,249	2,353	395,151	20,332	10,513	30,845	425,996
Unallocated corporate liabilities					871,547			–	871,547
Consolidated total liabilities					1,266,698			30,845	1,297,543

Other Information

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

Geographical segments

The Group's operations are located in Hong Kong, the Mainland China, America, Europe and other Asian regions.

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

	Continuing operations		Discontinued operations		Total turnover by geographical market	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mainland China	2,433,396	2,824,541	–	–	2,433,396	2,824,541
Americas	670,266	617,576	84,554	72,703	754,820	690,279
Europe	53,040	42,779	1,201	6,134	54,241	48,913
Hong Kong	71,012	97,444	903	2,255	71,915	99,699
Other Asian regions	179,099	196,352	55	44	179,154	196,396
	3,406,813	3,778,692	86,713	81,136	3,493,526	3,859,828

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mainland China	732,942	1,385,101	119,466	202,250
Hong Kong	239,374	429,931	1,721	10,375
Americas	238,230	218,565	14,420	12,869
Other Asian regions	96,866	63,300	1,747	1,234
	1,307,412	2,096,897	137,354	226,728

8. PROFIT/(LOSS) BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) before taxation has been arrived at after charging:						
Auditors' remuneration						
Current year	2,782	2,281	–	340	2,782	2,621
Underprovision in prior years	–	166	–	–	–	166
	2,782	2,447	–	340	2,782	2,787
Depreciation of property, plant and equipment						
Owned assets	61,011	52,979	–	2,257	61,011	55,236
Assets held under finance leases	2,413	939	–	–	2,413	939
	63,424	53,918	–	2,257	63,424	56,175
Cost of inventories *(Note ii)*	3,190,065	3,540,442	72,463	67,383	3,262,528	3,607,825
Write down of inventories	2,150	3,375	–	423	2,150	3,798
Charge of prepaid lease premium for land	2,273	1,720	348	463	2,621	2,183
Operating lease rentals in respect of rented premises	4,945	4,971	–	481	4,945	5,452
Research and development expenditure	190	208	–	–	190	208
Loss on disposal of property, plant and equipment	1,770	3,242	4	–	1,774	3,242
Provision for compensation to labour *(Note i)*	–	4,737	–	–	–	4,737
Wages, salaries and pension attribution including directors' remuneration *(Notes 41 and 9)*	187,833	174,938	2,881	9,821	190,714	184,759
Share-based payment expense to employees and directors *(Note 39)*	5,752	–	–	–	5,752	–
Share-based payment expense to consultants *(Note 39)*	3,041	3,187	–	–	3,041	3,187
	196,626	178,125	2,881	9,821	199,507	187,946

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
and after crediting:						
Exchange gains, net	284	2,726	287	144	571	2,870
Interest income on bank deposits	10,090	19,336	308	705	10,398	20,041
Interest income on notes receivable	–	4,822	–	–	–	4,822
Rental income	385	–	–	–	385	–
Subcontracting income	5,814	785	–	–	5,814	785
Interest income on other loans receivable	6,461	–	–	–	6,461	–

Notes:

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

(ii) Cost of inventories includes HK$150,624,000 (2007: HK$167,570,000) relating to staff costs, depreciation of property, plant and equipment and charge of prepaid lease payments for land, which amounts are also included in the respective total amounts disclosed separately above. Cost of inventories includes write-down of inventories of HK$2,150,000 (2007: HK$3,798,000).

9. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Particulars of the remuneration of the directors and the five highest paid individuals for the year were as follows:

Name of director	Fees	Salaries and other benefits	Discretionary performance bonus	Share-based payment	Retirement benefit scheme contributions	2008 Total	2007 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Chau Lai Him	–	3,205	–	–	16	3,221	11,232
Mr. Zhou Jin Hua	–	1,368	–	379	–	1,747	1,357
Mr. Liu Jiu Rong	–	142	–	190	–	332	134
Mr. Chow Kin Ming	–	1,268	–	–	9	1,277	1,082
Mr. Chan Kwan Hung	–	1,500	–	1,682	15	3,197	-
Mr. Chung Kam Kwong	194	–	–	–	–	194	160
Mr. Lo Wai Ming	96	–	–	–	–	96	96
Mr. Lo Chao Ming	105	–	–	–	–	105	53
Mr. Lau Man Tak	–	–	–	–	–	–	3,169
Total	395	7,483	–	2,251	40	10,169	17,283

During the year, certain directors were granted share options in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in Note 39 to the consolidated financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above directors' remuneration disclosures.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: HK$Nil).

The five highest paid individuals of the Group include four (2007: four) executive directors of the Company, details of whose remuneration are included above. The emoluments of the remaining one (2007: one) individual were as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Salaries and other benefits	2,008	1,446
Discretionary performance bonus	–	638
Contributions to retirement benefits schemes	–	873
	2,008	2,957

Remuneration of these individuals was within the following bands:

	Number of employee	
	2008	**2007**
HK$2,000,001 – HK$2,500,000	1	–
HK$2,500,001 – HK$3,000,000	–	1

During the year, share options were granted to a non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in Note 39 to the consolidated financial statements. The fair value of such options, which has been recognised in the consolidated income statement over the vesting period, was determined as at the date of grant, and the amount included in the consolidated financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

10. FINANCE COSTS

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	49,499	57,037	448	2,742	49,947	59,779
Interest on finance leases	645	1,035	–	–	645	1,035
Imputed interest on convertible notes *(Note 29)*	5,472	6,060	–	–	5,472	6,060
	55,616	64,132	448	2,742	56,064	66,874

11. TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong profits tax						
Current year	2,240	1,273	95	127	2,335	1,400
(Over)/underprovision in respect of prior years	(212)	976	–	–	(212)	976
Taxation in other jurisdictions						
Current year	20,549	8,420	–	–	20,549	8,420
Over provision in respect of prior years	(585)	(3,242)	–	–	(585)	(3,242)
	21,992	7,427	95	127	22,087	7,554
Deferred taxation *(Note 31)*	1,501	(1,631)	–	–	1,501	(1,631)
Effect of change in tax rate charge for the year	602	–	–	–	602	–
	24,095	5,796	95	127	24,190	5,923

Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit arising in Hong Kong during the year. Taxation in other countries and jurisdictions is calculated at the rates applicable in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The tax charge for the year can be reconciled to the profit before taxation per the income statement as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Profit before taxation	48,643	1,007
Tax at the Mainland China income tax rate of 25% (2007: 27%)	12,161	272
Tax effect of expenses not deductible for tax purpose	26,034	15,161
Tax effect of income not taxable for tax purpose	(18,955)	(6,749)
Tax effect of tax losses not recognised	4,768	609
Utilisation of tax losses previously not recognised	(80)	(923)
Over-provision in respect of prior years	(797)	(2,266)
Effect of different tax rates of the Company's subsidiaries operating outside of the PRC and changes in tax rates	5,568	(241)
Tax effect on share of results of associates	(4,509)	(40)
Tax effect of share of results of jointly-controlled entities	–	100
Tax charge for the year	24,190	5,923

The domestic tax rate of principal subsidiaries in the Mainland China is used as it is where the operations of the Group are substantially based. For the six months ended 31 December 2007, pursuant to the approvals obtained from the relevant PRC tax authorities, the major subsidiaries in Dongguan, Mainland China, could enjoy tax benefit and were entitled to the PRC enterprise income tax of 24% and local income tax of 3% and therefore, subject to a total corporate income tax rate of 27%.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC (the "New Tax Law"), which became effective on 1 January 2008. Further, on 6 December 2007, the State Council released the implementation rules to the New Tax Law. According to the New Tax Law, from 1 January 2008, the standard corporate income tax rate for enterprises in the Mainland China was reduced from 33% to 25%. Accordingly the applicable corporate income tax rate was 25% for the six months ended 30 June 2008.

12. DIVIDENDS

	2008	**2007**
	HK$'000	*HK$'000*
Final dividend paid in respect of year 2006/2007 at HK$Nil per share (2005/2006: HK$0.04)	–	19,466
Interim dividend paid in respect of year 2007/2008 at HK$Nil per share (2006/2007: HK$0.02)	–	9,783
	–	29,249

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2008.

13. EARNINGS PER SHARE

The calculation of basic earnings per share amounts is based on the profit for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to equity holders of the Company, adjusted to reflect the interest on the convertible notes, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

For continuing and discontinued operations

The calculation of the basic and diluted earnings per share is based on the following data:

	2008	**2007**
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company for the purpose of basic earnings per share	19,847	782
Imputed interest on convertible notes	–*	–*
Change in fair value of conversion option of convertible notes	–*	–*
Earnings for the purposes of diluted earnings per share from continuing and discontinued operations	19,847	782

	Number of shares 2008	2007
Weighted average number of ordinary shares for the purpose of basic earnings per share	567,737,695	486,852,609
Effect of dilutive potential ordinary shares:		
Share options	12,770,805	34,965,647
Convertible notes	–*	70,545,455*
Weighted average number of ordinary shares for the purpose of diluted earnings per share	580,508,500	592,363,711

For continuing operations

The calculation of the basic and diluted earnings per share from continuing operations is based on the following data:

	2008 *HK$'000*	2007 *HK$'000*
Profit for the year attributable to equity holders of the Company for the purpose of basic earnings per share from continuing operations	15,241	29,161
Imputed interest on convertible notes *(Note 10)*	–*	6,060*
Change in fair value of conversion option of convertible notes	–*	(5,325)*
Earnings for the purposes of diluted earnings per share from continuing operations	15,241	29,896

* *The convertible notes have an anti-dilutive effect on the basic earnings per share of the Group from continuing and discontinued operations for the year ended 30 June 2007 and 2008. Accordingly, the effect of the convertible notes was not included in the calculation of diluted earnings per share from continuing and discontinued operations for the year ended 30 June 2007 and 2008.*

From discontinued operations

Basic earnings/(loss) per share for discontinued operations is 0.82 HK cents (2007: (5.83HK cents) per share), and diluted earnings/(loss) per share for discontinued operations is 0.79 HK cents (2007: N/A (Restated)) based on the profit/(loss) for the year from discontinued operations of HK$4,606,000 (2007: (HK$28,379,000)). The denominators used are the same as those detailed above for basic and diluted loss per share. No diluted loss per share in respect of discontinued operations for the year ended 30 June 2007 because the options were anti-dilutive.

14. PROPERTY, PLANT AND EQUIPMENT AND PREPAYMENTS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Leasehold improvements	Equipment, furniture and fixtures	Plant and machinery	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP							
COST							
At 1 July 2006	43,723	248,651	25,517	73,725	356,865	18,763	767,244
Currency realignment	2,105	11,048	1,150	3,028	17,547	1,030	35,908
Acquisition of subsidiaries *(Note 33)*	–	–	–	3,642	42,292	660	46,594
Additions	55,171	31,482	5,596	8,230	119,064	7,185	226,728
Reclassification	(62,099)	37,054	–	5,174	19,871	–	–
Transfer to assets classified as held for sales *(Note 32)*	–	(28,922)	–	(2,831)	(8,718)	(171)	(40,642)
Disposals	(697)	–	–	(10,097)	(2,159)	(413)	(13,366)
At 30 June 2007 and 1 July 2007	38,203	299,313	32,263	80,871	544,762	27,054	1,022,466
Currency realignment	6,069	31,166	3,144	6,953	51,208	2,372	100,912
Additions	35,002	4,803	6,649	6,661	82,242	1,997	137,354
Reclassification	(9,667)	303	–	464	8,900	–	–
Disposals	–	–	(190)	(1,687)	(17,947)	(893)	(20,717)
Reclassification of interest in a subsidiary into an associate *(Note 34)*	(1,392)	(88,161)	(7,493)	(6,823)	(179,430)	(6,485)	(289,784)
At 30 June 2008	68,215	247,424	34,373	86,439	489,735	24,045	950,231
ACCUMULATED DEPRECIATION							
At 1 July 2006	–	79,736	9,660	53,255	202,329	10,215	355,195
Currency realignment	–	3,279	412	1,653	6,023	524	11,891
Provided for the year	–	12,388	2,532	5,944	32,633	2,678	56,175
Transfer to assets classified as held for sales *(Note 32)*	–	(1,463)	–	(1,678)	(2,632)	(171)	(5,944)
Eliminated on disposals	–	–	–	(5,787)	(978)	(82)	(6,847)
At 30 June 2007 and 1 July 2007	–	93,940	12,604	53,387	237,375	13,164	410,470
Currency realignment	–	9,344	1,131	4,059	16,932	1,426	32,892
Provided for the year	–	13,211	2,666	7,881	36,377	3,289	63,424
Reclassification	–	–	–	(234)	234	–	–
Reclassification of interest in a subsidiary into an associate *(Note 34)*	–	(26,874)	(1,519)	(3,686)	(72,457)	(3,394)	(107,930)
Eliminated on disposals	–	–	(39)	(1,478)	(11,814)	(501)	(13,832)
At 30 June 2008	–	89,621	14,843	59,929	206,647	13,984	385,024
CARRYING AMOUNT							
At 30 June 2008	68,215	157,803	19,530	26,510	283,088	10,061	565,207
At 30 June 2007	38,203	205,373	19,659	27,484	307,387	13,890	611,996

	2008	2007
	HK$'000	*HK$'000*
Buildings situated on the PRC land held under		
– medium term lease	154,668	202,167
– long term lease	1,644	1,684
Buildings situated on Hong Kong land held under medium term lease	1,491	1,522
	157,803	205,373

At 30 June 2008, the carrying amount of property, plant and equipment of the Group includes plant and machinery of HK$7,365,000 (2007: HK$5,106,000), motor vehicles of HK$2,554,000 (2007: HK$4,714,000) and equipment, furniture and fixtures of HK$16,000 (2007: HK$16,000) in respect of assets held under finance leases. The related depreciation charge was HK$2,413,000 (2007: HK$939,000). None of the leases includes contingent rentals. During the year, additions to plant and machinery of the Group financed by new finance leases were HK$1,158,000 (2007: HK$2,028,000).

The Group has pledged buildings and plant and machinery with a carrying amount at 30 June 2008 of HK$206,324,000 (2007: HK$130,904,000) to secure banking facilities granted to the Group (Note 37).

At 30 June 2008, the Group was in the process of obtaining the relevant title documents of certain of its buildings with a carrying amount of HK$10,248,000 (2007: HK$11,020,000).

As at 30 June 2008 and 2007, the prepayment amounts represented prepayments made for acquisition of items of property, plant and equipment, of which most were utilised on the completion of the acquisition subsequent to 30 June 2008 and 2007.

15. PREPAID LEASE PAYMENTS FOR LAND

		2008	2007
	NOTES	*HK$'000*	*HK$'000*
Carrying amount:			
At beginning of year		82,021	94,321
Transferred to assets classified as held for sales		–	(15,519)
Additions		4,260	959
Release to the consolidated income statement	*8*	(2,273)	(2,183)
Reclassification of interest in a subsidiary into an associate	*34*	(46,875)	–
Exchange realignments		10,511	4,443
At end of year		47,644	82,021

The Group's carrying amount of the prepaid lease payments for land is analysed as follows:

	2008 *HK$'000*	2007 *HK$'000*
Leasehold land situated in the PRC held under		
– medium term lease	38,493	72,646
– long term lease	7,470	7,650
Leasehold land situated in Hong Kong held under medium term lease	1,681	1,725
	47,644	82,021

Analysed for reporting purposes as:

Non-current	46,455	80,220
Current	1,189	1,801
	47,644	82,021

The Group has pledged prepaid lease payments for land with a carrying amount at 30 June 2008 of HK$26,665,000 (2007: HK$27,081,000) to secure banking facilities granted to the Group (Note 37).

At 30 June 2008, the Group was in the process of obtaining the relevant title documents of certain of its land use rights with a carrying amount of HK$13,479,000 (2007: HK$13,416,000).

16. INTERESTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE

	2008 *HK$'000*	2007 *HK$'000*
Share of net assets	322,417	11,196

The following list contains only the particulars of the associates at 30 June 2008 which principally affects the Group's results for the year or form a substantial portion of the net assets of the Group, as the directors are of the opinion that a full list of all the associates would be of excessive length.

Name of company/ Form of business structure	Proportion of incorporation/ establishment	Place of nominal value of issued/registered capital indirectly held by the Company	Principal activities
侯馬普天榮盛光纜有限公司/Corporate	PRC	20%	Manufacture and trading of optical fibre cable and related products
Hua Yi Copper (Note)/Corporate	Bermuda	45.42%	Manufacture and trading of copper rods, mining business

Note: During the year ended 30 June 2008, Hua Yi Copper, a listed subsidiary of the Company as at 30 June 2007 and 21 April 2008, became an associate of the Group. Further details are set out in Note 34 to the consolidated financial statements.

As at 30 June 2008, the Group had trade balances and cash advances due to its associate of aggregate carrying amount of HK$202,054,000 (2007: HK$Nil), which are unsecured and interest-free. Trade balances have a credit period of 45 days and cash advances have no fixed terms of repayment.

The summarised financial information in respect of the Group's associates is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Total assets	1,647,639	115,784
Total liabilities	(881,979)	(59,804)
Net assets	765,660	55,980
Group's share of net assets of associates	322,417	11,196
Revenue	890,547	88,156
(Loss)/profit for the year	(118)	739
Group's share of results of associates for the year	284	148

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	2008	**2007**
	HK$'000	*HK$'000*
Share of net assets	–	18,023

Particulars of the Group's principal jointly-controlled entity as at 30 June 2008 are as follows:

Name of company	Place of incorporation	Proportion of registered capital indirectly held by the Company	Principal activities
常州柏濤樓宇智能有限公司 Changzhou Bo Tao Lou Yu Zhi Neng Co., Ltd.	PRC	40%	Inactive

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

	2008 *HK$'000*	2007 *HK$'000*
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	–	8,694
Non-current assets	–	30,864
Current liabilities	–	(7,759)
Non-current liabilities	–	(13,776)
Net assets	–	18,023
Share of the jointly-controlled entities' result:		
Income	8,844	–
Expenses and taxation	(9,469)	(369)
Loss for the year	(625)	(369)

On 22 April 2008 Hua Yi Copper, then listed subsidiary of the Company, became an listed associate of the Company as a result of deemed disposal as further detailed in Note 34 and as a result, Hua Yi Copper's jointly-controlled entity has been derecognised from the consolidated balance sheet of the Group on the same date.

18. GOODWILL

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

During the year ended 30 June 2008, management of the Group determines that there is no impairment of the CGU containing the goodwill.

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

19. INVENTORIES

	2008	**2007**
	HK$'000	*HK$'000*
Raw materials	105,717	355,923
Work in progress	38,252	26,069
Finished goods	122,796	130,100
	266,765	512,092

During the year, the Group had carried out its regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption and management judgment. As a result, the carrying amounts of certain inventories were determined to decline below their estimated net realisable value. Based on this assessment, the carrying amount of inventories was written down by HK$2,150,000 (2007: HK$3,798,000) (included in "cost of sales") for the year ended 30 June 2008 (Note 8(ii)).

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

Included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK$280,880,000 (2007: HK$399,130,000). The Group allows an average credit period of 90 days to its trade customers.

(i) The aging analysis of trade debtors, net of allowance for doubtful debts, based on invoice date, is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Within 30 days	200,159	273,812
31 – 60 days	27,242	69,964
61 – 90 days	29,810	33,081
Over 90 days	23,669	22,273
	280,880	399,130

At 30 June 2008, the Group's trade debtors of HK$25,869,000 (2007: HK$10,696,000) (Note 37) were discounted to banks with recourse. The Group continued to recognise the full carrying amount of the debtors and had recognised the cash received on the transfer as a secured borrowing which is included in borrowings of the Group.

(ii) The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	2008	2007
	HK$'000	*HK$'000*
At beginning of year	6,445	380
Impairment loss recognised	105	6,065
Reversal of allowance for doubtful debts	(703)	–
Uncollectible amounts written off	(437)	–
Exchange realignments	16	–
At end of year	5,426	6,445

At 30 June 2008, the Group's trade debtors of HK$5,426,000 (2007: HK$6,445,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that none of the receivables is expected to be recovered. Consequently, specific and full allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

Except for the above, no allowance has been made for estimated irrecoverable amounts from the sale of goods.

(iii) The aging analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	257,211	376,857
Past due and not impaired	23,669	22,273
	280,880	399,130

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

At 30 June 2008, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to HK$2,581,000 (2007: HK$61,794,000) resulting from the net settlements of derivative financial instruments which were in the closed out positions at year end. The amount has been fully settled subsequent to year end.

21. BILLS RECEIVABLE

As at 30 June 2007 and 2008, bills receivable aged within 90 days.

22. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

(A) Derivative not qualified for hedging

	2008		2007	
	Assets	Liabilities	Assets	Liabilities
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Copper future contracts	–	(443)	–	(2,111)
Interest rate swap	–	–	468	–
Foreign exchange forward contracts	–	–	1,566	(7,856)
	–	(443)	2,034	(9,967)

Copper future contracts

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

	As at 30 June 2008	As at 30 June 2007
Quantities (in tonnes)	750	2,500
Average price per tonne	8,519	7,599
Delivery period	From July 2008 to September 2008	From July 2007 to September 2007
Fair value loss of copper future contracts recognised as current liabilities (in HK$'000)	(443)	(2,111)

Interest rate swap

			Fair value gain as at	
Notional amount	Maturity	Swap	30 June 2008	30 June 2007
			HK$'000	*HK$'000*
USD5,000,000	13 September 2009 (Early redeemed on 13 March 2008)	Received USD at structured rate *(note)*	–	468
		Paid USD interest rate at LIBOR minus 0.8%		

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

Forward foreign exchange contracts

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

At 30 June 2007

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

The above derivatives are measured at fair value at each balance sheet dates and are with financial institutions. The fair values of copper future contracts are determined based on the quoted market prices and the fair values of interest rate swap and foreign exchange forward contracts were provided by banks or financial institutions at the balance sheet date. The gain on change in fair value of derivative financial instruments of HK$47,830,000 (2007: loss of HK$269,000) has been recognised in the consolidated income statement during the year.

(B) Hedge of net investment in foreign operations

	2008		2007	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Foreign exchange forward contracts	1,702	(8,728)	–	–

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

At 30 June 2008

Notional amount/ settlement interval	Maturity dates	Contracted exchange rates	Fair value gain/(loss)	
			HK$'000	*HK$'000*
US$4,664,000/ semi-annually	29 December 2008	BRL1.75	1,702	–
US$3,750,000/ semi-annually	29 December 2008	BRL2.1765	–	(8,728)

During the years ended 30 June 2008 and 2007, the Group entered into certain forward currency contracts designated as hedges in respect of the Group's investment in the operations of Brazil.

The terms of the forward currency contracts have been negotiated to hedge the foreign operations, which were assessed to be highly effective.

During the year, the loss on such effective hedging instrument of HK$13,419,000 (2007: HK$3,256,000) for the year was recognised in the equity in the exchange reserve, which will be recognised in profit or loss on disposal of the foreign operations. As at 30 June 2008, the net fair value of the liabilities of hedging instrument amounted to HK$7,026,000.

23. NOTES RECEIVABLE

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

The notes receivable have been fully settled during the year.

24. LOANS RECEIVABLE

As disclosed in Note 38, pursuant to a loan agreement entered into between the Group (through the Hua Yi Copper Group) and an independent third party during the prior year, a prepayment of HK$31,560,000 for acquisition of property, plant and equipment had been assigned and reclassified as loan to the third party during the prior year. In addition, the Group (through the Hua Yi Copper Group) has advanced an additional amount of HK$15,338,000 to such party during the prior year. The aggregate amount of loans receivable at 30 June 2008 amounted to HK$Nil (2007: HK$46,898,000), which was interest-bearing at 2.5% per annum and secured by the plant and machinery of the third party and had no fixed repayment terms. In the opinion of directors of the Company, the amount would not be recoverable within 12 months from 30 June 2007.

On 22 April 2008, Hua Yi Copper, the then listed subsidiary of the Company, became an associate of the Company as a result of deemed disposal as further detailed in Note 34 and as a result the loans receivable was derecognised from the consolidated balance sheet of the Group on the same date.

25. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

Included in the Group's creditors, other advances and accrued charges were trade creditors of HK$108,527,000 (2007: HK$110,881,000).

The aging analysis of trade creditors is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	73,224	62,466
31 – 60 days	24,428	30,461
61 – 90 days	8,152	15,127
Over 90 days	2,723	2,827
	108,527	110,881

26. BILLS PAYABLE

At 30 June 2007 and 2008, bills payable aged within 90 days.

27. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases				
Within one year	3,962	3,604	3,707	3,185
In the second to fifth years inclusive	3,969	5,365	3,469	4,821
	7,931	8,969		
Less: Future finance charges	(755)	(963)		
Present value of lease obligations	7,176	8,006	7,176	8,006
Less: Amount due within one year			(3,707)	(3,185)
Amount due after one year			3,469	4,821

It is the Group's policy to lease certain of its plant and machinery and motor vehicles under finance leases. The average lease term is 2 to 4 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates and the average effective borrowing rate was 5% (2007: 6%) per annum. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

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

28. BORROWINGS

	2008	2007
	HK$'000	*HK$'000*
Borrowings are analysed as follows:		
Bank loans	166,006	238,779
Trust receipt loans	896	483,827
Other loans	–	15,521
	166,902	738,127
Bank overdrafts	5,613	–
	172,515	738,127
Secured	172,515	330,358
Unsecured	–	407,769
	172,515	738,127
The carrying amounts of borrowings repayable:		
Within one year	155,450	717,719
More than one year but not exceeding two years	5,688	5,102
More than two years but not exceeding five years	11,377	15,306
	172,515	738,127
Amount due within one year shown under current liabilities	(155,450)	(717,719)
Amount due over one year shown under non-current liabilities	17,065	20,408

The average effective interest rates of the bank borrowings and bank overdrafts range from 5.25% to 15% (2007: 5.6% to 9%) per annum.

As at 30 June 2007, except for an amount of HK$12,821,000 which carried interest at fixed rates ranging from 7% to 36% per annum, other loans were unsecured, interest-free and repayable on demand.

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

At 30 June 2008, the Group had available HK$71,853,000 (2007: HK$248,502,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Details of the assets pledged for the Group's facilities are set out in Note 37 to the consolidated financial statements.

29. CONVERTIBLE NOTES

	2008	2007
	HK$'000	*HK$'000*
Debt component of convertible notes, at amortised cost	–	72,128
Conversion option component of convertible notes, at fair value	–	7,167
	–	79,295

On 24 April 2006, the Company entered into subscription agreements with 8 investors, which are third parties independent of the Company, for the issue of zero-coupon convertible notes with the maturity date being the first business day after the second anniversary from the date of issue. The aggregate principal amount of the convertible notes is US$10,000,000 (equivalent to HK$77,600,000). The subscribers are entitled to convert the convertible notes at a conversion price of HK$1.1 per share commencing on and excluding the 14th day after the issue date up to and including the date which is 14 days prior to the maturity date. In the event that the average closing price for any 30 consecutive dealing days represents 150% or more of the conversion price, the outstanding principal amount of the convertible notes will be mandatorily converted into the ordinary shares of the Company at the conversion price of HK$1.1 per share. The Company is required to redeem the convertible notes at its face value for the outstanding principal amount of the convertible notes which have not been converted on maturity.

The completion date of the issue of the convertible notes was on 9 May 2006. During the year, none of the investors has converted the convertible notes and the convertible notes were fully settled in cash on 8 May 2008 and the conversion option component of the convertible notes of HK$7,167,000 (2007: HK$Nil) was recognised in the consolidated income statement for the year.

The fair value of the conversion options were valued by a professional valuer at the date of grant and 30 June 2007 and the change in the fair value of the embedded derivatives of HK$5,325,000 had been charged to income statement during the prior year. The valuer adopted discounted Black-Scholes option pricing model in measuring the fair value of the conversion option. The liability component of convertible notes is initially recognised as the residual amount after separating the conversion option derivatives of convertible notes and is carried at amortised cost subsequently. The effective interest rate of the liability component of convertible notes was 8.81% per annum.

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

	At 30 June 2007
Weighted average share price	HK$0.97
Expected volatility	69%
Expected life	0.87 years
Risk-free rate	4.19%
Expected dividend yield	6.19%

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

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

	HK$'000
At 1 July 2006	66,068
Interest charge *(Note 10)*	6,060
At 30 June 2007	72,128
Interest charge *(Note 10)*	5,472
Repayment	(77,600)
At 30 June 2008	–

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

30. SHARE CAPITAL

	Number of shares		**Share capital**	
	2008	**2007**	**2008**	**2007**
	'000	*'000*	*HK$'000*	*HK$'000*
Ordinary shares of HK$0.01 each:				
Authorised	30,000,000	30,000,000	300,000	300,000
Issued and fully paid				
At beginning of the year	489,154	485,064	4,892	4,851
Shares repurchase *(Note (i))*	–	(910)	–	(9)
Placements of new shares *(Note (ii))*	97,000	–	970	–
Exercise of share options *(Note (iii))*	17,500	5,000	175	50
At end of the year	603,654	489,154	6,037	4,892

Notes:

(i) During the prior year, the Company repurchased 910,000 of its own shares of HK$0.01 each through the Stock Exchange at a price of HK$1.01 per share. The aggregate consideration paid by the Company was HK$921,000. The above shares were cancelled upon repurchase.

(ii) During the year ended 30 June 2008, 97,000,000 (2007: Nil) new ordinary shares of par value HK$0.01 each were issued at subscription price HK$0.68 each to the then independent third parties of the Group at an aggregate consideration, net of issuing expenses, of HK$63,966,000 (2007: HK$Nil), of which HK$970,000 (2007: HK$Nil) was credited to share capital and the remaining balance of HK$62,996,000 (2007: HK$Nil) was credited to the share premium account.

(iii) During the year ended 30 June 2008, 17,500,000 (2007: 5,000,000) new ordinary shares of par value HK$0.01 each were issued at subscription prices ranging from HK$0.24 to HK$0.32 each on exercise of 17,500,000 (2007: 5,000,000) (Note 39) share options at an aggregate consideration, net of issuing expenses, of HK$5,126,000 (2007: HK$1,200,000), of which HK$175,000 (2007: HK$50,000) was credited to share capital and the remaining balance of HK$4,951,000 (2007: HK$1,150,000) was credited to the share premium account. In addition, an amount attributable to the related share options of HK$496,000 (2007: HK$362,000) has been transferred from share option reserve to the share premium account.

All the new shares issued above rank pari passu in all respects with the existing shares.

31. DEFERRED TAX

The following is the major deferred tax (assets)/liabilities recognised by the Group and their movements:

	Accelerated tax depreciation	Tax losses	Allowance for doubtful debts	Write down of inventories	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2006	21,299	(621)	(146)	(365)	(193)	19,974
Acquisition of subsidiary *(Note 33)*	–	–	–	(1,359)	(2,672)	(4,031)
Exchange realignment	469	–	23	190	(526)	156
(Credit)/charge to the income statement for the year *(Note 11)*	(380)	382	123	359	(2,115)	(1,631)
At 30 June 2007	21,388	(239)	–	(1,175)	(5,506)	14,468
Exchange realignment	(665)	–	–	(240)	(863)	(1,768)
(Credit)/charge to the income statement for the year *(Note 11)*	(243)	(555)	–	33	2,266	1,501
Effect of change in tax rate	602	–	–	–	–	602
Reclassification of interest in a subsidiary into an associate *(Note 34)*	(15,948)	–	–	–	–	(15,948)
At 30 June 2008	5,134	(794)	–	(1,382)	(4,103)	(1,145)

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

	2008	**2007**
	HK$'000	*HK$'000*
Deferred tax liabilities	5,171	20,743
Deferred tax assets	(6,316)	(6,275)
	(1,145)	14,468

At 30 June 2008, the Group has unused tax losses of HK$37,549,000 (2007: HK$65,205,000) available for offset against future profits. Deferred tax asset has been recognised in respect of HK$Nil (2007: HK$1,580,000) of such tax losses as at 30 June 2008. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$37,549,000 (2007: HK$63,625,000) due to the unpredictability of future profit streams. Tax losses of HK$6,527,000 (2007: HK$38,715,000) may be carried forward indefinitely and the remaining amount of HK$31,022,000 (2007: HK$26,490,000) will expire in 2012.

The Group had no other significant unprovided deferred tax assets or liabilities at the balance sheet date (2007: HK$Nil).

32. ASSETS/(LIABILITIES) CLASSIFIED AS HELD FOR SALE

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

According to the supplemental agreements entered into among the Group, the purchaser and Kong Sun Holdings Limited (the holding company of the purchaser), the long stop date and the disposal of the business of manufacture and trading of life-like plants is extended during the current year. On 22 April 2008, Hua Yi Copper, the then listed subsidiary of the Company, became an listed associate as a result of deemed disposal as further detailed in Note 34 and as a result the assets classified as held for sale and the associated liabilities have been derecognised from the consolidated balance sheet of the Group on the same date.

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

	2007
	HK$'000
Property, plant and equipment *(Note 14)*	34,698
Prepaid lease payments for land	15,518
Inventories	42,096
Debtors, deposits and prepayments	5,230
Tax recoverable	89
Pledged deposits	5,388
Bank balances and cash	4,725
Impairment loss arising from adjustment to fair value less costs to sell	(28,000)
Assets classified as held for sale	79,744
Creditors and accrued charges	14,019
Bills payable	6,313
Liabilities associated with assets classified as held for sale	20,332

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

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

33. ACQUISITION OF SUBSIDIARY

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

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

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

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

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

The carrying value of the deferred consideration payable was HK$10,342,000 (2007: HK$16,297,000) as at 30 June 2008.

The above transaction was completed on 2 August 2006.

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

	Acquiree's carrying amount before combination	**Fair value adjustment**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
NET ASSETS ACQUIRED			
Property, plant and equipment *(Note 14)*	46,594	–	46,594
Deferred tax assets *(Note 31)*	4,031	–	4,031
Inventories	35,793	386	36,179
Debtors, deposits and prepayments	22,441	–	22,441
Bank balances and cash	2,868	–	2,868
Creditors and accrued charges	(51,805)	–	(51,805)
Taxation	(656)	–	(656)
Obligations under finance leases	(2,194)	–	(2,194)
	57,072	386	57,458
Goodwill			23,389
Total consideration			80,847
Satisfied by:			
Cash consideration			57,071
Cash paid for expenses related to acquisition			7,426
Deferred consideration			16,350
Total consideration			80,847
Deferred consideration:			
Due within one year included in creditors and accrued charges			147
Due after one year			16,203
			16,350
Net cash outflow arising on acquisition:			
Cash consideration paid			57,071
Cash paid for expenses related to acquisition			7,426
Bank balances and cash acquired			(2,868)
Net outflow of cash and cash equivalents in respect of the acquisition			61,629

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

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

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

34. DISCOUNT ON ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY AND DEEMED DISPOSAL OF INTEREST IN A LISTED SUBSIDIARY

Year ended 30 June 2007

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

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

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

Year ended 30 June 2008

On 25 July 2007, Hua Yi Copper has placed 30,000,000 new shares to public shareholders and the Company's interest in Hua Yi Copper has been reduced from 59.74% to 57.19%. On 29 August 2007, 80,000,000 existing shares of Hua Yi Copper held by the Company have been sold to independent third parties and then Hua Yi Copper issued 80,000,000 shares to the Company. The Company's interest in Hua Yi Copper has been further reduced from 57.19% to 51.35%.

From December 2007 to January 2008, the exercise of 2,172,000 share options of Hua Yi Copper during the period has diluted the Company's interest in Hua Yi Copper from 51.35% to 51.21%. The above deemed disposal resulted in a gain on deemed disposal of partial interest in a listed subsidiary of approximately HK$20,430,000.

Pursuant to a sale and purchase agreement dated 7 October 2007 and subsequent supplemental agreement, entered into between Hua Yi Copper, the then listed subsidiary of the Company, and Belleview Global Limited (the "Vendor"), Hua Yi Copper has agreed to acquire the entire equity interest in Yeading Enterprises Limited ("Yeading") from the Vendor (the "Hua Yi Copper Acquisition") by way of (i) cash consideration of RMB55,000,000 (equivalent to HK$61,118,000); and (ii) share consideration of 100,000,000 ordinary shares of Hua Yi Copper.

After the Hua Yi Copper Acquisition completed on 22 April 2008, the Company's interest in Hua Yi was reduced from 51.21% to 45.42%. As a result, Hua Yi Copper ceased to be the subsidiary of the Company and became an associate of the Company upon the completion of the Hua Yi Copper Acquisition on 22 April 2008. On the same day, the assets, liabilities and results of Hua Yi Copper were deconsolidated and the Group's interest in Hua Yi Copper was accounted for under equity method. Further details are set out in the Company's announcement dated 22 April 2008.

The consolidated net assets of Hua Yi Copper and its subsidiaries as at 22 April 2008 were as follows:-

	Notes	22 April 2008 HK$'000
Net assets disposed of:		
Property, plant and equipment	14	181,854
Prepaid lease payments for land	15	46,875
Interest in a jointly-controlled entity		19,562
Loans receivable		16,574
Inventories		218,979
Debtors, other loans and receivables, deposits and prepayments		368,493
Bills receivable		5,920
Derivative financial assets		20,847
Bank balances and cash		102,038
Assets classified as held for sale		74,084
Creditors, other advances and accrued charges		(46,248)
Bills payable		(76,224)
Taxation		(5,595)
Obligations under finance leases		(117)
Borrowings		(454,283)
Liabilities associated with assets classified as held for sale		(9,434)
Deferred tax liabilities	31	(15,948)
Minority interests		(305,275)
		142,102
Loss on deemed disposal		9,079
Reclassified as an interest in an associate		318,703
Amount due to an associate		(185,680)
		142,102
Analysis of the net cash outflow:		
Cash consideration		–
Bank balances and cash disposed of		(102,038)
		(102,038)

35. CAPITAL COMMITMENTS

	2008	2007
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
Leasehold improvements	31	169
Plant and machinery	10,000	7,864
Equipment, furniture and fixtures	2,532	2,759
	12,563	10,792

36. LEASE COMMITMENTS

The Group as lessee

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

	2008	2007
	HK$'000	*HK$'000*
Within one year	104	2,511
In the second to fifth years inclusive	53	1,202
	157	3,713

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

37. PLEDGE OF ASSETS

At 30 June 2008, the Group has pledged the following assets to secure general banking facilities granted to the Group and its associate. The carrying amounts of these assets are analysed as follows:

		2008	2007
	Notes	*HK$'000*	*HK$'000*
Prepaid lease payments for land	*15*	26,665	27,081
Property, plant and equipment	*14*	206,324	130,904
Fixed bank deposits and bank balances	*40*	36,619	96,650
Trade debtors	*20*	25,869	10,696
		295,477	265,331

38. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease in respect of motor vehicles with a total capital value at the inception of the lease of HK$Nil (2007: HK$5,310,000).

During the year, prepayments for acquisition of property, plant and equipment with carrying amount of HK$22,648,000 (2007: HK$119,959,000) has been reclassified to property, plant and equipment which have been put into operation in the current year.

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

39. SHARE OPTION SCHEMES

The Company

The Company's share option scheme was adopted pursuant to a resolution passed on 16 September 2002 (the "Share Option Scheme") for the primary purpose of providing incentives to directors and eligible employees, and will expire on 15 September 2012. Under the Share Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors, of the Company and any of its subsidiaries, associates and jointly-controlled entities to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties with a view to maintain business relationship with such persons.

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

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

During the year, share-based payment of HK$8,793,000 (2007: HK$3,187,000) has been charged to consolidated income statement.

The following table discloses movements in the Company's Share Option Scheme in both years.

For the year ended 30 June 2008

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price	Outstanding at 1.7.2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30.6.2008	Exercisable period
					Number of share options					
				HK$	*'000*	*'000*	*'000*	*'000*	*'000*	
Director										
– Zhou Jin Hua	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	–	3,000	–	–	3,000	1 February 2008 to 31 January 2011 1 February 2009 to 31 January 2011 1 February 2010 to 31 January 2011
– Liu Jin Rong	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	–	1,500	–	–	1,500	1 February 2008 to 31 January 2011 1 February 2009 to 31 January 2011 1 February 2010 to 31 January 2011
– Chan Kwan Hung	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	–	4,500	–	–	4,500	1 February 2008 to 31 January 2011 1 February 2009 to 31 January 2011 1 February 2010 to 31 January 2011
Employees	5 November 2007	1 February 2008 to 31 January 2011 5 November 2007 to 1 February 2009	5 November 2007 to 1 February 2008 1 February 2009 to 31 January 2011 5 November 2007 to 1 February 2010	0.59	–	15,600	–	–	15,600	1 February 2008 to 31 January 2011 1 February 2010 to 31 January 2011
Others	26 May 2005	26 May 2005 to 25 May 2008	Fully vested at date of grant	0.32	18,950	–	(11,600)	(7,350)	–	26 May 2005 to 25 May 2008
Others	5 January 2006	1 February 2006 to 31 January 2009	5 January 2006 to 1 February 2006 5 January 2006 to 1 February 2007 5 January 2006 to 1 February 2008	0.24	23,650	–	(5,900)	(11,080)	6,670	1 February 2007 to 31 January 2008 1 February 2008 to 31 January 2009
Others	5 November 2007	1 August 2008 to 31 July 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	–	18,000	–	–	18,000	1 August 2008 to 31 July 2011 1 August 2009 to 31 July 2011 1 August 2010 to 31 July 2011
					42,600	42,600	(17,500)	(18,430)	49,270	

For the year ended 30 June 2007

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price	Outstanding at 1.7.2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30.6.2007	Exercisable period
					Number of share options					
				HK$	'000	'000	'000	'000	'000	
Others	26 May 2005	26 May 2005 to 25 May 2008	Fully vested at date of grant	0.32	18,950	–	–	–	18,950	6 May 2005 to 25 May 2008
Others	5 January 2006	1 February 2006 to 31 January 2009	5 January 2006 to 1 February 2006 5 January 2006 to 1 February 2007 5 January 2006 to 1 February 2008	0.24	39,230	–	(5,000)	(10,580)	23,650	1 February 2007 to 31 January 2008 1 February 2008 to 31 January 2009
					58,180	–	(5,000)	(10,580)	42,600	

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

Date of grant	**5 January 2006**	**5 November 2007**
Share price on the date of grant	HK$0.23	HK$0.55
Exercise price	HK$0.24	HK$0.59
Expected volatility	76%	75.21%
Average expected life	1.07 to 3.07 years	1.74 to 3.24 years
Average risk-free rate	3.78% to 3.92% p.a.	2.54% to 2.82% p.a.
Expected dividend yield	Nil	Nil

The volatility was generated from Bloomberg based on the Company's 400 days (2007: 180 days), historical shares prices before the dates of valuation.

The weighted average closing price of the Company's shares immediately before the date on which share options were exercised during the year was HK$0.45 (2007: HK$0.96).

At the balance sheet date and the date of the approval of these financial statements, the Company had 49,270,000 share options outstanding under the share option scheme, which represented approximately 8.16% of the Company's shares in issue. The exercise in full of the remaining share options would, under the present capital structure of the company, result in the issue of 49,270,000 additional ordinary shares of the Company and additional share capital of HK$493,000 and share premium account of HK$26,242,000 (before issue expenses), respectively.

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

40. BANK BALANCES AND CASH (INCLUDING THE PLEDGED BALANCES)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy financial institutions with no recent history of default. The carrying amounts of the bank balances and cash approximate their fair values.

	2008	2007
	HK$'000	*HK$'000*
Bank balances and cash were denominated in the foreign currencies:		
Renminbi ("RMB")	28,831	165,513
US$	23,194	70,109
HK$	51,832	127,886
EUR	10,166	8,291
THB	1,648	1,606
SGD	1,365	1,069
BRL	1,547	704
RM	3,853	7,542
Total	122,436	382,720

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

41. RETIREMENT BENEFITS SCHEME

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

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

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

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

During the year, the Group made retirement benefits schemes contributions of HK$6,463,000 (2007: HK$5,131,000).

42. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with an associate:

	2008	2007
	HK$'000	*HK$'000*
Purchases of goods	85,216	–
Rental income of office premises	45	–
Rental expenses of staff quarters	217	–
Management fee expenses	353	–

The above transactions were determined with reference to the terms mutually agreed between the Group and the associate.

The Group has pledged deposits and bank balances and property, plant and equipment in the amount of HK$18,000,000 (2007: HK$97,960,000) and corporate guarantees were given to secure banking facilities granted to an associate.

Compensation of key management

The key management of the Group comprises all directors and the one highest paid employee, details of their remuneration are disclosed in Note 9.

43. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 28, liability component of convertible notes disclosed in Note 29, bank balances and cash in Note 40 and equity attributable to equity holders of the Company, comprising share capital, reserves and retained profits as disclosed in the consolidated statement of changes in equity.

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of management, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or redemption of existing debts.

The gearing ratio at the balance sheet dates was as follows:

	2008	2007
	HK$'000	*HK$'000*
Debts	172,515	810,255
Cash and cash equivalents	(122,436)	(382,720)
Net debts	50,079	427,535
Equity	1,086,105	1,136,626
Net debt to equity ratio	5%	38%

44. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30 June 2008 and 2007 may be categorised as follows:

	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and bank balances)	458,764	1,064,297
Derivative financial assets at fair value	1,702	2,034
Financial liabilities		
Financial liabilities measured at amortised cost	603,263	1,155,917
Derivative financial liabilities at fair value	9,171	9,967

45. POST BALANCE SHEET DATE EVENT

Further extension of long stop date

On 30 September 2008, (i) Brightpower Assets Management Limited, an indirect wholly-owned subsidiary of Hua Yi Copper, a listed associate of the Company, (ii) Kong Sun Holdings Limited ("Kong Sun"), an independent third party and (iii) Eternal Gain Investments Limited, a wholly owned subsidiary of Kong Sun, agreed to further extend the deadline for satisfaction of the conditions precedent under a conditional sale and purchase agreement on the disposal of the business of manufacture and trading of life-like plants of Hua Yi Copper to 31 December 2008, details of which are disclosed in the joint announcements of the Company and Hua Yi Copper dated 21 May 2007, 8 June 2007, 20 September 2007, 17 December 2007, 28 February 2008, 20 May 2008 and 2 October 2008.

46. CONTINGENT LIABILITIES

Corporate guarantees were given by the Group to secure banking facilities granted to an associate.

As at the balance sheet date, the banking facilities granted to the associate subject to guarantees given to the banks were utilised to the extent of approximately HK$185,529,000.

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the principal subsidiaries at 30 June 2008 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Group	Principal activities
Brascabos componentes Eletricos E Electronicos Ltda.	Brazil/Brazil	BRL3,335,000	100%	Manufacture and trading of power cords and wire harness
Chau's Electrical (BVI) Company Limited	British Virgin Islands/PRC	US$1	100%	Property holding
Chau's Electrical Company Limited	Hong Kong	HK$1,000 ordinary HK$500,000 non-voting deferred *(Note 1)*	100% –	Manufacture and trading of cable and wire products
Chau's Electrical International, Inc.	United States of America	US$20,000	100%	Trading of cable and wire products
Chau's Industrial Investments Limited	British Virgin Islands	US$1,000	100%	Investment holding
Citigain Industrial Limited	Hong Kong	HK$1,000	100%	Investment holding
Crown Earth Investments Limited	Hong Kong/PRC	HK$100	100%	Property holding
東莞橋梓周氏電業有限公司 Dongguan Qiaozi Chau's Electrical Co., Ltd.#	PRC	HK$6,810,000 *(Note 2)*	100%	Manufacture and trading of cable and wire products
東莞新寶精化有限公司 Dongguan Xin Bao Precision Chemical Co., Ltd.	PRC	HK$45,000,000	85%	Manufacture and trading of chemical products
Gosberton Assets Limited	British Virgin Islands	US$1	100%	Holding of trademarks
昆山周氏電業有限公司 Kunshan Chau's Electrical Company Limited#	PRC	US$5,000,000	100%	Manufacture and trading of cable and wire products
上海周氏電業有限公司 Shanghai Chau's Electrical Co., Ltd.#	PRC	US$2,500,000	100%	Manufacture and trading of cable and wire products
Solartech Investments Limited	British Virgin Islands	US$1	100%	Investment holding

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Group	Principal activities
Stocko Electronics Asia Pacific Pte Ltd	Singapore	S$100,000	90.5%	Trading in wire harness and connectors
TEM Electronics (M) Sdn. Bhd.	Malaysia	RM500,000	100%	Manufacture of wire harness and connectors
Yellowstone Assets Limited	British Virgin Islands	US$1	100%	Investment holding

Wholly-foreign-owned enterprise

Notes:

1. The deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding up.

2. Dongguan Qiaozi Chau's Electrical Co., Ltd. ("Qiaozi Chau's") was established by the Group with an independent Chinese party in the PRC. Under the management agreement with the Chinese party, the Group was responsible for all of the assets and liabilities of the joint venture and is entitled to the profit derived from its operations after the payment of a fixed amount as management fee to the Chinese party each year. During the year, the PRC joint venture partner agreed to surrender its ownership in Qiaozi Chau's to the Group at no consideration. The transfer has been approved by the PRC relevant authority and Qiaozi Chau's became a wholly-foreign-owned enterprise since January 2007.

3. Except for Chau's Industrial Investments Limited, all the subsidiaries are indirectly held by the Company.

None of the subsidiaries had issued any debt securities at the end of the year.

1. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had total outstanding borrowings of approximately HK$553.6 million, comprising secured bank loans of approximately HK$240.5 million, secured trust receipts loans, factoring loans and discounted bills of approximately HK$290.0 million, obligation under finance leases of approximately HK$12.5 million and unsecured deferred consideration payable of approximately HK$10.6 million.

The Enlarged Group's certain bank deposits, trade receivables, prepaid lease payments for land and property, plant and equipment with an aggregate carrying value of approximately HK$434.5 million are pledged to banks to secure general banking facilities granted to the Enlarged Group. Property, plant and equipment of the Enlarged Group with an aggregate carrying value of HK$6.7 million are held under finance leases. Certain secured bank borrowings of the Enlarged Group of approximately HK$310.0 million and an associate of HK$4.0 million are also secured by corporate guarantees given by the Company and certain of its subsidiaries in the Enlarged Group.

Save as disclosed above and apart from the intra-group liabilities and normal trade bills arising in the ordinary course of business, at the close of business on 31 October 2008, the Enlarged Group did not have any other outstanding indebtedness, loan capital, bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase or finance lease commitments, guarantees or contingent liabilities.

2. WORKING CAPITAL

The Directors are of the opinion that assuming that Completion takes place on or before 15 March 2009 and taking into account of the Enlarged Group's internal resources, the presently available banking and other facilities and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for a period of twelve months from the date of this circular.

3. MATERIAL CHANGE

On 16 December 2008, the Company and Hua Yi jointly announced that all conditions precedent to the completion of the disposal by Brightpower Assets Management Company Limited ("Brightpower"), an indirect wholly-owned subsidiary of Hua Yi, of FT Far East Limited and FT China Limited pursuant to the sale and purchase agreement dated 19 May 2007 (and supplemental agreements thereto) (the "FT Disposal Agreement") have been fulfilled and completion took place on 16 December 2008.

Pursuant to the FT Disposal Agreement, Brightpower warranted and guaranteed that the audited consolidated net profits after tax and any extraordinary or exceptional items of FT Far East Limited and FT China Limited (together, the "FT Sale Companies") will, in aggregate, be not less that HK$7,000,000 for the financial year ended 30 June 2008.

The consolidated net profit after tax and any extraordinary or exceptional items of the FT Sale Companies for the year ended 30 June 2008 was approximately HK$444,000. There is shortfall of approximately HK$6,556,000 to the said guaranteed profit of HK$7,000,000. Such shortfall was set off against payment obligations of Kong Sun Holdings Limited ("Kong Sun"), the holding company of the purchaser, under a promissory note issued by Kong Sung in favour of Brightpower in the principal sum of HK$20,000,000 on a dollar to dollar basis. On completion, Brightpower received the adjusted aggregate consideration of approximately HK$53,444,000, settled partly by way of Kong Sun executing a promissory note in an amount of approximately HK$13,444,000 to Brightpower and partly by way of Kong Sun issuing convertible bonds for a principal amount of HK$40,000,000 to Brightpower.

Save as disclosed above, there is no material change in the financial or trading position or outlook of the Enlarged Group since 30 June 2008 (the date to which the latest published audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date.

Saved as disclosed above, Directors are not aware of any material adverse change in the financial or trading position of the Enlarged Group since 30 June 2008, being the date to which the latest published audited accounts of the Group were made up, up to and including the Latest Practicable Date.

4. PROPERTY VALUATION

Particulars of the property interests of the Group and Modern China Group are set out in Appendix I and V to this circular respectively. Chung, Chan & Associates, an independent property valuer, has valued the property interests of the Enlarged Group as at 30 November, 2008. The text of its letter, summary of valuation and the valuation certificates are set out in Appendix XI to this circular.

Disclosure of the reconciliation of the property interests and the valuation of such property interests as required under Rule 5.07 of Listing Rules is set out below.

(A) Reconciliation of the Group

	HK$'000	*HK$'000*
Valuation of properties as at 30 November 2008 as set out in the Valuation Report included in Appendix XI		261,528
Net book value of the following properties as at 30 June 2008 as set out in the Financial Information of the Group in Appendix I		
– Buildings	157,803	
– Prepaid lease payments for land	47,644	
– Properties and land held under construction in progress	33,629	
	239,076	
Less: Depreciation of properties during the period from 1 July 2008 to 30 November 2008 (unaudited)	(326)	
Less: Amortisation of prepaid lease payments for land during the period from 1 July 2008 to 30 November 2008 (unaudited)	(2,146)	
Net book value of properties as at 30 November 2008 subject to valuation as set out in the Valuation Report included in Appendix XI		236,604
Net valuation surplus		24,924

(B) Reconciliation of the Modern China Group

	HK$'000	HK$'000
Valuation of properties as at 30 November 2008 as set out in the Valuation Report included in Appendix XI		89,157
Net book value of the following properties as at 30 June 2008 as set out in the Accountants' Report on the Modern China Group in Appendix V		
– Buildings in the PRC held under medium-term leases	34,879	
Less: Properties not included in the scope of the Valuation Report included in Appendix XI	(9,043)	
– Prepaid lease payments for land	61,065	
	86,901	
Less: Depreciation of properties during the period from 1 July 2008 to 30 November 2008 (unaudited)	(36)	
Less: Amortisation of prepaid lease payments for land during the period from 1 July 2008 to 30 November 2008 (unaudited)	(563)	
Net book value of properties as at 30 November 2008 subject to valuation as set out in the Valuation Report included in Appendix XI		86,302
Net valuation surplus		2,855

Set out below is the management discussion and analysis extracted from the annual report of the Company for each of the three financial years ended 30 June 2006, 2007 and 2008.

(i) For the year ended 30 June 2008

FINANCIAL RESULTS

Presented herein are the results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2008 ("the year under review"). As Solatech's interest in Hua Yi Copper Holdings Limited ("Hua Yi Copper"), a subsidiary of the Company, has reduced from 59.74% to 45.42% after Hua Yi completed placing and an acquisition during the year under review, the consolidated income statement of the Group only reflects the results of Hua Yi Copper up to 31 March 2008, and so, the Group's results for the year under review cannot be directly compared with its results for the last year.

The Board is pleased to announce that the Group recorded a turnover of approximately HK$3,493,526,000 for the year under review. Profit attributable to shareholders was HK$19,847,000, representing an increase of approximately 25.4 times compared to HK$782,000 for the corresponding period last year. Earnings per share for the year under review were about HK3.50 cents (2007: HK0.16 cent).

Heeding the uncertainty of the global economy, the Board has resolved not to declare any final dividend for the year ended 30 June 2008 (2007: nil) so as to reserve fund for future operation and expansion.

BUSINESS REVIEW

During the year under review, although the global economic slowdown presented a harsh environment for the manufacturing industry, the Group had actively expanded its clientele and undergone business integration, with better allocation of resources, achieving steady development in our business. By business segment, cable and wire business reported a turnover of approximately HK$752,644,000, accounting for 21.6% of the Group's total turnover. As Brascabos Componentes Eletricose Eletronicos Ltda. ("Brascabos"), a wholly-owned subsidiary of the Group, continued to make satisfactory progress in business expansion, the connectors and terminals/wire harnesses business experienced rapid growth, the total turnover for the year under review was approximately HK$711,919,000, accounting for 20.4% of the Group's total turnover. Sales of copper rod products amounted to approximately HK$1,904,403,000, representing 54.5% of the Group's total turnover.

By market segment, with the outstanding performance of Brascabos and driven by the hard work of the international sales and marketing department set up during the year under review, the turnover of the Group's American business increased by 9.4% to approximately HK$754,820,000, accounting for 21.6% of the total turnover. With the effort of the international sales and marketing department, our European business also secured new major customers and accordingly enlarged the market share of Group, its turnover reached approximately HK$54,241,000, representing an increase of 10.9% compare with the corresponding period last year, and accounted for 1.6% of the total turnover. As for Mainland China and Hong Kong, the market brought in turnover of approximately HK$2,505,311,000, down by 14.3% compared with last year and accounted for 71.7% of the total turnover. Turnover for other markets in Asia reported a decrease of 8.8% compared with last year to around HK$179,154,000, accounting for 5.1% of the total turnover.

In addition, having completed an approximately HK$63,800,000 share placement in August last year, the Group now has a notably enhanced shareholder base and financial position, hence a strong foundation for future business expansion. Part of the proceeds had been used to expand the business in Brazil and the balance had been used as general working capital of the Group.

Cable and Wire

With orders for cable and wire from home appliance manufacturers affected by weakened consumer sentiment, turnover from the segment during the year under review had only slightly increased by 1.8% to HK$752,644,000. High prices in plastics and metal and rising labour costs also exerted pressure on production costs and dragged down the profit of the segment. In order to reduce cost, many home appliance manufacturers had gradually relocated their operations to Yangtze River Delta region during the past few years. The Group has set up additional production bases strategically in Kunshan, Jiangsu province and Shang Hang County, Fujian province. The move has not only allowed the Group to supply products for customers in the Yangtze River Delta region, but also enabled the Group to expand production scale and improve cost efficiency.

During the year under review, orders received by the Kunshan factory grew satisfactorily. The application for various international safety certificates in respect of the new production base in Shang Hang County, Fujian province was also nearly completed and is expected to commence production during the year under review as planned. However, as the factory is still in the initial development stage and the Group is actively building customer base for it, so it may not bring significant contribution during the year under review. However, riding on the solid business foundation of the Group, those new factories are expected to see a steady increase of customers, and will bring satisfactory profit to the Group.

Connectors and Terminals/Wire Harnesses

During the year under review, the Group's wholly-owned Brazilian subsidiary Brascabos reported rapid growth and obtained the ISO TS16949:2002 Quality Control System for Automobile Series certification. It has also been selected as one of the 150 top enterprises in Brazil by the famous Brazilian business magazine "Exame" for the fourth consecutive year. Driven by the strong performance of Brascabos, the connectors and terminals and wire harnesses businesses of the Group performed well, with turnover up by 13.5% to approximately HK$547,259,000 compared with the corresponding period last year. Besides supplying wire products to its existing major customer Whirlpool, the Group has referred new customers to Brascabos with its extensive network during the year under review and further enhanced its customer base. Moreover, with its extensive experience in producing harnesses and the top quality of its products, Brascabos launched harnesses for motorcycles during the year under review and broadened its product portfolio. The Group will continue to develop automotive harness markets in Latin America and other regions to explore more business opportunities.

Our factory in Chonburi, Thailand also reported encouraging performance during the year under review. Its turnover increased dramatically by 70.7% compared with the corresponding period last year.

Copper Rod and Mining Business

The Group's copper rod and mining businesses are operated through its listed subsidiary Hua Yi Copper Holdings Limited ("Hua Yi Copper").

Hua Yi Copper manufactures and trades copper rods and copper wires used primarily in producing power wires and cables for home electrical appliances and electronic products. During the year under review, economies around the world slowed down, which affected the demand for home appliances and consumer electronics. However, with its long-standing customer network and market leadership established over the years, Hua Yi Copper was able to maintain a steady inflow of orders for copper rod products. Turnover from copper rods and related products was approximately HK$2,159,004,000 (2007: HK$2,666,903,000). Hua Yi Copper was able to sustain stable growth in the volume of copper rod products manufactured for its own sales, with a monthly output of approximately 3,600 tonnes. It also continued to develop high value-added downstream products, including annealed copper wires, tin-coated copper wires, stranded copper wires and enameled copper wires.

During the year under review, copper prices lingered at a high level. Between July 2007 and June 2008, the average spot price of copper at the London Metal Exchange ("LME") reached US$7,785 per tonne, which was approximately 10% higher than the price of US$7,078 per tonne for the previous 12 months. The higher copper price as compared with last year and the higher proportion of copper rods produced for sales kept the finance costs of purchasing copper cathodes at a high level, which squeezed its overall profit margins.

Kunshan Hua Yi

The factory of Kunshan Hua Yi primarily manufactures high value-added downstream products, including annealed copper wires, tin-coated copper wires, stranded copper wires and copper wires of different specifications and has a designed output capacity of 10,000 tonnes per annum. During the year under review, Kunshan Hua Yi generated an annual turnover of HK$310,567,000. With more enterprises relocating their production bases from Southern China to the Yangtze River Delta Region, Hua Yi Copper sees potential in securing more orders from manufacturers of electrical appliances, electronic products and wires in the region. Hua Yi Copper will actively seek new customers in order to increase the sales of its high value-added downstream products.

Fujian Jinyi

The plant of Fujian Jinyi commenced operation in early 2008. It has an annual production capacity of around 10,000 tonnes of copper pipes for use in refrigerators, air-conditioners and as construction materials.

Mining business

Hua Yi Copper signed an agreement in October 2007 to acquire two iron-ore mines and an iron-ore concentrated powder processing plant in Long Hua County, Chengde City of Hebei Province, the PRC. The transaction was completed at the end of April this year. As Hua Yi Copper has issued new shares to settle the consideration of the transaction, the Group's interest in Hua Yi Copper had been diluted to below 50%, Hua Yi Copper has become the Group's associate instead of a subsidiary.

Life-like Plants

In addition, Hua Yi Copper signed an agreement in mid-2007 to dispose of its non-core life-like plants business at a total consideration of HK$60,000,000. Following the completion of the transaction, Hua Yi Copper will be able to focus its resources and management efforts on its core business. [*(Note)*]

PROSPECTS

For cable and wire business, the Group will continue to focus on cost control and boosting operational efficiency aiming for stable development of the segment. The Group will strive to secure more customers and orders for the factories in Kunshan and Shang Hang to increase their turnover and utilization rates, making smoother operations to enjoy economies of scale. At the same time, taking advantage of the favourable conditions offered by the local governments of the two

Note: As set out at Appendix II (pages 1 to 2), on 16 December 2008, the relevant transaction was completed and this was announced accordingly.

regions and given the lower production costs compared with the Pearl River Delta Region, the Group will gradually move its existing production lines from Shanghai and Dongguan to the factories in Kunshan and Shang Hang to enhance resources integration.

Seeing a higher profit margin and huge growth potential in the connectors and terminals/wire harnesses businesses, the Group will focus resources on developing the segment. In addition to securing new customers for Brascabos, its subsidiary in Manaus, northern Brazil, has started the construction of a new factory designated for producing harnesses for motorcycles in mid 2007, and is expected to commence production at the end of the year to support the growing business and market demand. The operation carried out in one of the rented factories will be moved into the new plant to boost operational efficiency. Brazil is one of the major automobile manufacturing countries in the world and its automobile harness market still has huge room for development. Besides, the Group also has a plant specialized in producing connectors and terminals/wire harnesses in Bangkok, Thailand. Thailand is known as "Detroit of the East" because of its thriving automobile industry. As such, the Group will keep exploring opportunities for its automotive harness business in South America and Southeast Asia and it is expected that the business will become one of its key growth drivers.

In addition, the Group will purchase additional production equipment by the end of this year for the plant in Thailand, which will boost its production capacity for connectors and terminals and wire harnesses from previously 45,600,000 sets to approximately 88,400,000 sets. This move will allow the Group to satisfy increasing local orders.

Regarding Hua Yi Copper, with its solid experience in the copper industry, quality products and strong customer relations and riding on its boosted production scale, Hua Yi Copper will continue to consolidate its core copper rod business and strive to develop high value-added downstream product business. Global economy is likely to experience a rapid slowdown as a result of the US credit crisis. Against this backdrop, market demand for natural resources is expected to drop slightly next year. The tension between supply and demand of copper will ease leading to a fall in copper price from its current high. This will reduce pressure on Hua Yi Copper's operating cost. Hua Yi Copper will strive to develop high value-added downstream products and secure more new customers in the Yangtze River Delta Region to cope with the trend of manufacturers migrating production to Northern China and explore more business opportunities. Such effort will allow Hua Yi Copper to mitigate the possible impacts of economic slowdown on its copper rod business.

With the acquisition of the two mines in Hebei Province completed and the resumption of iron-ore mining and iron-ore concentrated powder processing businesses after the Beijing Olympics, Hua Yi Copper will receive income from the sale of mineral resources directly from the mines next year, which will provide additional cash flow and revenues. In the wake of adverse financial market conditions, it is expected that the slowdown of the global economy will dampen the demand for metal resources, therefore Hua Yi Copper will exercise utmost prudence in undertaking future mining investment.

Looking forward, the Group will continue to integrate its resources and focus on cost control so as to strengthen its business foundation. It will also actively explore new clientele and focus on developing connectors and terminals and wire harness products, especially the higher-margin automotive wire harness market. The Group will strive to develop a global business and enlarge market share, thereby ensuring better returns for shareholders.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2008, the Group had approximately 5,700 employees in Hong Kong, the People's Republic of China ("PRC") and overseas. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 30 June 2008, the Group had implemented a prudent financial management policy. As at 30 June 2008, the Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK$122 million (30 June 2007: HK$383 million) and net current assets value being over approximately HK$141 million (30 June 2007: HK$378 million). The Group's gearing ratio as at 30 June 2008 was 0.17 (30 June 2007: 0.80), being a ratio of total bank borrowings of approximately HK$180 million (30 June 2007: HK$746 million) to shareholders' funds of approximately HK$1,079 million (30 June 2007: HK$938 million).

On 24 April 2006, the Company entered into convertible notes subscription agreements with certain investors which were third parties independent of the Company for the issue of zero-coupon convertible notes in the aggregate principal amount of US$10,000,000 (equivalent to approximately HK$77,600,000) with the maturity date of 9 May 2008, being the second anniversary of 9 May 2006, the date of issue of the convertible notes. The investors are entitled to convert the convertible notes during the conversion period commencing on and excluding the 14th day after the date of issue of the Convertible Notes up to and including the date which is 14 days prior to the maturity date. The initial conversion price is HK$1.10 per ordinary share of the Company ("Share"), subject to adjustments. In the event that the average closing price of the Shares for any 30 consecutive dealing days representing 150% or more of the conversion price, the outstanding principal amount of the convertible notes shall be mandatorily converted into the Shares at the conversion price of HK$1.10 per share. The outstanding principal amount of the convertible notes which have not been converted up to the maturity date is redeemable by the Company at its face value at the maturity date. Details of the material terms of the convertible notes subscription agreements were set out in the announcement of the Company dated 25 April 2006. As at 9 May 2008, none of the investors converted any of the convertible notes. On 9 May 2008, the Company redeemed all of the convertible notes and repaid the aggregate principal amount of USD10,000,000 to the investors.

As at 30 June 2008, the Group had pledged certain property, plant and machinery, land use rights, fixed bank deposits and trade debtors with an aggregate net book value of approximately HK$260 million (30 June 2007: HK$265 million) to secure general banking facilities granted to the Group.

As at 30 June 2008, the Company had issued guarantees to the extent of approximately HK$226 million (30 June 2007: HK$223 million) to banks to secure general banking facilities granted to its subsidiaries and associates, of which, approximately HK$171 million (30 June 2007: HK$738 million) was utilised. In addition, the Company had issued guarantees to a financial institute amounting to approximately HK$16 million (30 June 2007: HK$39 million) in respect of commodity trading of copper by its subsidiary.

For the year ended 30 June 2008, the Group entered into copper forward contracts, foreign exchange forward contracts and interest rates swap contracts (collectively referred to as "derivative financial instruments") to manage the copper price risks, foreign exchange risks and interest rate risks. These derivative financial instruments were entered into in accordance with the Group's hedging policies, but they were not qualified for hedge accounting under the new HKFRS which became effective from 1 January 2006. Therefore, the outstanding derivative financial instruments have been revalued and stated at their fair value at the balance sheet date and the changes in fair value were charged to current year's income statement.

The Group's overall financial risk management focuses on the unpredictability of the financial markets, controls the level of financial risks that the Group can bear, and minimises any potential adverse effects on the financial performance of the Group. The purpose of the financial risk management is to ensure that transactions undertaken are in accordance with the Group's policies and not for speculative purpose. The net gain of the derivative financial instruments for the year ended 30 June 2008 was approximately HK$47,830,000 (30 June 2007: net loss of HK$269,000).

PROPOSED JOINT VENTURE

On 16 February 2007, the Company and 北京福斯汽車電線有限公司 (Beijing Force Automotive Wire Co. Ltd.) entered into a memorandum of understanding, pursuant to which the parties agreed conditionally to the establishment of a joint venture company in the PRC to engage in the manufacturing and sales of automotive harness and cables. As the conditions under the memorandum of understanding had not been fulfilled, the parties agreed not to proceed with the proposed transaction. Reference is made to the announcement issued by the Company dated 28 September 2007.

PROPOSED ACQUISITION

On 10 April 2007, Hua Yi Copper Holdings Limited ("Hua Yi Copper"), a company incorporated in Bermuda whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and an indirect subsidiary of the Company at that time, entered into a letter of intent with 江西華贛磊鑫銅業有限公司 (Jiangxi Huagan Leixin Copper Co., Ltd.), pursuant to which Hua Yi Copper agreed conditionally to acquire 51% equity interests in 江西鴻陽銅業有限公司 (Jiangxi Hongyang Copper Co., Ltd), a company which is engaged in the production of copper materials and sulphuric acid and with plans to engage in the copper mining business. As the conditions under the letter of intent had not been fulfilled, the parties agreed not to proceed with the proposed transaction. Reference is made to the joint announcement issued by the Company and Hua Yi Copper dated 11 April 2007 and 28 September 2007.

DISCLOSEABLE TRANSACTION – DISPOSAL OF CERTAIN SUBSIDIARIES OF HUA YI COPPER UNDER CONDITIONAL SALE AND PURCHASE AGREEMENT

On 21 May 2007, Hua Yi Copper and the Company jointly announced that Brightpower Assets Management Limited ("Brightpower"), a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of Hua Yi Copper, entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") on 19 May 2007 with Eternal Gain Investments Limited ("Eternal Gain"), a company incorporated in the British Virgin Islands and Kong Sun Holdings Limited ("Kong Sun"), a company incorporated in Hong Kong whose shares are listed on the Stock Exchange and which holds 100% shareholding of Eternal Gain. Pursuant to the Sale and Purchase Agreement, Brightpower agreed to sell and Eternal Gain agreed to purchase the entire issued share capital of each of FT Far East Limited ("FTFE") and FT China Limited ("FTC"), being the Sale Companies and direct wholly-owned subsidiaries of Brightpower, and an indebtedness in the sum of HK$80,786,000 owed by FTFE to Brightpower shall be assigned by Brightpower to Eternal Gain, for an aggregate consideration of HK$60 million. The aggregate consideration will be settled partly by way of Kong Sun executing upon the completion date a promissory note in the amount of HK$20 million to Brightpower and partly by way of Kong Sun issuing upon the completion date the convertible bonds for an aggregate principal amount of HK$40 million ("Convertible Bonds") to Brightpower or its nominees as Brightpower may direct. Pursuant to the Sale and Purchase Agreement, completion is subject to the satisfaction of certain conditions precedent on or before a long stop date, being 30 September 2007 or such other date as the parties thereto may otherwise agree.

FTFE is principally engaged in trading of life-like decorative plants and FTC is principally engaged in manufacture of lifelike decorative plants through its subsidiary in the PRC. The life-like decorative plants and related business, as engaged by the Sale Companies, is a non-core business operation of the group of Hua Yi Copper (the "Hua Yi Group") operating in a totally different business model when compared with the core copper business of the Hua Yi Group. It occupies financial and management resources of the Hua Yi Group in a higher proportional weight than it should have occupied in the Hua Yi Group. At the same time, this operation had not generated sufficient cash flow to the Hua Yi Group. Accordingly, Hua Yi Group decided to dispose of this non-core business operation and concentrate its resources and management effort in its core copper business. The Hua Yi Group considered that the disposal will generate a much higher cash flow in coming three to four years than keeping the Sale Companies within the Hua Yi Group. In conclusion, the directors of Hua Yi Copper believed that Hua Yi Group would not only benefit from a stronger working capital position after realizing the proceeds from disposal, but also could direct all its corporate resources previously occupied by the Sale Companies towards the development of the core copper business. This would enhance the capability of the Hua Yi Group in horizontal expansion and vertical integration in the core copper business. Details of the material terms of the Sales and Purchase Agreement were set out in the circular dated 8 June 2007 jointly issued by the Company and Hua Yi Copper.

On 20 September 2007, Hua Yi Copper and the Company jointly announced that the parties of the Sales and Purchase Agreement entered into a supplemental agreement (the "First Supplement Agreement") on 19 September 2007 to (i) extend the long stop date to 31 December 2007 or such other date as the parties thereto may agree, (ii) amend certain terms of the form of the bonds instrument to be executed by Kong Sun by way of a deed poll constituting the Convertible Bonds, and (iii) amend the reference period for the profit guarantee and the net asset value guarantee made by Brightpower in the Sale and Purchase Agreement to the period commencing from 1 July 2007 to 30 June 2008. The details of other material terms of the First Supplemental Agreement were set out in the joint announcement of Hua Yi Copper and the Company dated 20 September 2007.

On 17 December 2007, Hua Yi Copper and the Company jointly announced that the parties to the Sale and Purchase Agreement entered into a letter agreement to further extend the long stop date to 29 February 2008 or such other date as the parties thereto may agree.

On 28 February 2008, Hua Yi Copper and the Company jointly announced that the parties to the Sale and Purchase Agreement entered into a supplemental agreement to further extend the long stop date to 31 May 2008 or such other date as the parties thereto may agree.

On 20 May 2008, Hua Yi Copper and the Company jointly announced that the parties to the Sale and Purchase Agreement entered into a supplemental agreement to further extend the long stop date to 30 September 2008 or such other date as the parties thereto may agree.

On 2 October 2008, Hua Yi Copper and the Company jointly announced that the parties to the Sale and Purchase Agreement entered into a supplemental agreement to further extend the long stop date to 31 December 2008 or such other date as the parties thereto may agree. *(Note)*

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES OF THE COMPANY

On 13 August 2007, Mr. Chau Lai Him and Chau's Family 1996 Limited which is wholly-owned by the Chau's Family 1996 Trust (the "Vendors"), Kingston Securities Limited ("Kingston") and the Company entered into a top-up placing agreement, pursuant to which the Vendors agreed to place, through Kingston, an aggregate of 97,000,000 Shares, on a fully underwritten basis, to independent investors at a price of HK$0.68 per placing Share and subscribe for an aggregate of 97,000,000 new Shares at a price of HK$0.68 per Share (the "Top-Up Placing"). The net proceeds from the Top-Up Placing amounted to approximately HK$63.8 million. Approximately HK$25 million of the net proceeds was intended to be used for general working capital of the Group and the remaining approximately HK$38.8 million was intended to be used for implementation of business expansion in the Group's business operation in Brazil. The Top-Up Placing was completed on 22 August 2007. Details of the Top-Up Placing were set out in the announcement of the Company dated 13 August 2007.

PLACING OF NEW SHARES OF HUA YI COPPER

On 25 June 2007, Hua Yi Copper and CCB International Capital Limited ("CCB") entered into a placing agreement pursuant to which CCB agreed to place, on a best effort basis, 30,000,000 ordinary shares of HK$0.20 each in the capital of Hua Yi Copper (the "Hua Yi Copper Shares") at a price of HK$1.20 per Hua Yi Copper Share (the "Placing"). The Placing was completed on 10 July 2007 and a total of 30,000,000 Hua Yi Copper Shares were placed. Details of the Placing were set out in the circular of the Company dated 19 July 2007.

Note: As at the date of the annual report for the financial year ended 30 June 2008, the transaction had yet to be completed. However, as set out at Appendix II (pages II-1 to II-4), the relevant transaction was completed on 16 December 2008 and this was jointly announced by Hua Yi and Solartech on 16 December 2008.

PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES OF HUA YI COPPER

On 29 August 2007, Skywalk Assets Management Limited ("Skywalk"), a wholly-owned subsidiary of the Company and the controlling shareholder of Hua Yi Copper, entered into a placing and subscription agreement with Hua Yi Copper and Kingston under which Skywalk agreed to place, through Kingston, 80,000,000 existing Hua Yi Copper Shares to independent investors at HK$0.96 per Share and subsequently to subscribe for 80,000,000 new Hua Yi Copper Shares at the subscription price of HK$0.96 per new Hua Yi Copper Share (the "Placing and Top-Up Subscription"). The Placing and Top-Up Subscription was completed on 7 September 2007. Details of the Placing and Top-Up Subscription were set out in the joint announcement of Hua Yi Copper and the Company dated 31 August 2007.

MAJOR TRANSACTION AND VERY SUBSTANTIAL DISPOSAL

On 7 October 2007, Hua Yi Copper entered into a share purchase agreement with Belleview Global Limited ("Belleview") ("Share Purchases Agreement") pursuant to which Hua Yi Copper agreed to acquire (the "Acquisition") the entire issued share capital of Yeading Enterprises Limited ("Yeading") for a consideration which comprises of (i) cash amount of HK$61,118,000 equivalent of RMB55,000,000 (subject to adjustment, if applicable) payable by Hua Yi Copper at completion; (ii) HK$110,000,000 payable by the issuance of 100,000,000 Hua Yi Copper Shares (the "Consideration Shares") to Belleview at completion; and (iii) the grant by Hua Yi Copper to Belleview at completion of an option to subscribe for up to 50,000,000 Hua Yi Copper Shares (the "Option Shares") at the exercise price of HK$1.10 per Hua Yi Copper Shares during the period of 5 years from the business day immediately following the date of the option agreement, pursuant to a call option agreement ("Call Option Agreement") to be entered into between Hua Yi Copper and Belleview at completion.

On 7 October 2007, HYC Finance Company Limited ("HYC"), a wholly-owned subsidiary of Hua Yi Copper, Meyton Investment Limited ("Meyton"), a wholly-owned subsidiary of Yeading and Yeading entered into a loan agreement (the "Loan Agreement") pursuant to which HYC agreed to lend to Meyton HK$30,000,000 which shall be applied by Meyton for the sole purpose of its contribution to the registered capital of 青島華鑫礦業有限公司 (Qingdao Hua Xin Mining Industry Limited). Details of the Acquisition and the Loan Agreement were set out in the joint announcements of the Company and Hua Yi Copper dated 15 October, 14 November, 27 November 2007, 24 December 2007 and 31 March 2008 and the circular of the Company dated 31 December 2007 (the "Circular"). Meyton has drawn down the loan of HK$30,000,000 in accordance with the terms of the Loan Agreement on 11 October 2007.

At the special general meeting of the Company held on 17 January 2008, the ordinary resolution proposed to approve the Share Purchase Agreement and the transactions contemplated in the Circular was duly passed by the shareholders of the Company by way of poll.

On 22 April 2008, Hua Yi Copper and the Company jointly announced that, following the satisfaction or waiver of all the conditions precedent to the Acquisition, completion of the Acquisition took place on 22 April 2008. In accordance with the Share Purchase Agreement, the Consideration Shares have been allotted and issued to Belleview.

In consideration of Hua Yi Copper agreeing to waive the condition precedent in respect of 隆化華匯鑫福礦業有限公司 (Long Hua Hua Hui Xin Fu Mining Industry Limited Company) having obtained all the construction approval documents for the construction of the proposed iron-ore concentrated powder plant with an annual production capacity of 500,000 tonnes and having obtained the launching and filing documents on the annual production capacity of 500,000 tonnes of the iron-ore concentrated powder plant pursuant to the Share Purchase Agreement, Hua Yi Copper and Belleview entered into a supplemental agreement dated 19 April 2008, pursuant to which Hua Yi Copper and Belleview agreed that Hua Yi shall not be required to enter into the Call Option Agreement at completion. Accordingly, upon completion, the shareholding structure of Hua Yi Copper was as set out below:

	At completion after issue of the Consideration Shares without issue of Option Shares
Skywalk Assets Management Limited *(Note)*	402,131,875 (45.42%)
Mr. Chau Lai Him	2,894,000 (0.33%)
Belleview	100,000,000 (11.30%)
Public	380,280,625 (42.95%)
Total	885,306,500

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

As the Call Option Agreement was cancelled, there would be no other shares of Hua Yi Copper to be issued in connection with the Acquisition other than the Consideration Shares issued to Belleview on 22 April 2008. As a result, Hua Yi Copper has ceased to be a subsidiary of the Company upon completion.

PROPOSED ACQUISITION

On 16 January 2008, the Company announced that the Company and certain entities who are involved in the business of automatic production of cordsets in Europe with branch in the PRC (the "Proposed Sellers") entered into a memorandum of understanding (the "MOU") in respect of a proposed acquisition by the Company of certain businesses and assets of the Proposed Sellers including, among other things, the manufacture, sale, marketing and distribution of power cords, tangible assets (including equipment for bipolar rubber and PVC cords), approvals, authorisations and certifications that are required for the manufacture, sale, marketing or distribution of plugs ("Business"). The proposed acquisition is subject to various conditions and the entering into of definitive legally binding documentation. However, the MOU constitutes the legally binding obligation on, inter alia, (i) the Proposed Sellers not to discuss or negotiate with other third parties in relation to any disposal of the Business; and (ii) the parties as to confidentiality for up to three years after termination of the MOU. Details of the proposed acquisition were set out in the announcement of the Company dated 16 January 2008. Further announcement containing details of the proposed acquisition will be made in accordance with the Listing Rules if and when the Company proceeds with the proposed acquisition.

FRAMEWORK AGREEMENT AND OPTION SHARES

On 21 February 2008, Hua Yi Copper entered into a framework agreement (the "Framework Agreement") with China Alliance International Holding Group Limited and Shougang Holdings Limited (the "Counter Parties"), pursuant to which Hua Yi Copper and the Counter Parties agreed to co-operate in metals and minerals exploration and mining particularly iron ore in the PRC and other jurisdictions, and Hua Yi Copper agreed to grant to the Counter Parties a first right of refusal in (a) cooperating and investing in the mining projects chosen by Hua Yi Copper and (b) purchasing any iron ore and iron ore powder generated from such mining projects at favorable market price. In addition, subject to fulfillment of certain conditions set out in the Framework Agreement, Hua Yi Copper agreed to grant to the Counter Parties jointly an option to subscribe for 105,000,000 Hua Yi Copper Shares at the exercise price of HK$0.614 per Hua Yi Copper Share in parts or in whole at any time within 5 years from the date of grant of the option. Details of the Framework Agreement and the option are set out in the joint announcement of Hua Yi Copper and the Company dated 26 February 2008. As the parties have yet to agree on the mode and terms of cooperation, the parties have entered into a termination deed on 16 May 2008 whereby all parties have mutually agreed to terminate the Framework Agreement. Reference is made to the announcement dated 16 May 2008 jointly issued by the Company and Hua Yi Copper.

(ii) For the year ended 30 June 2007

RESULTS

For the year ended 30 June 2007, the Company and its subsidiaries (the "Group") recorded a turnover of approximately HK$3,859,828,000, representing an increase of 82.5% against last year's HK$2,115,548,000. During the year under review, the Group had actively consolidated its business to achieve more efficient allocation of resources and to capture more profitable business opportunities. Although the Group's new factories in Kunshan and Shang Hang county, Fujian province had started their early stage of production operation, which profitability was premature to absorb depreciation expenses, staff cost and related expenses incurred in the new plants. Profitability of the Group was also affected by the increase in overall recurrent expenses and labour cost, notional interest charged for the zero-coupon convertible notes issued on 9 May 2006, plus drop in profit of the Group's subsidiary, Hua Yi Copper Holdings Limited ("Hua Yi Copper"). Moreover, during the business consolidation, the Group decided to terminate or sell part of its non-core businesses and that led to impairment in value of business operations as required under Hong Kong Accounting Standards. With the magnitude of asset impairment exceeding operating profit, the Group registered loss for the year under review. The Group's pre-tax profit decreased from last year's approximately HK$135,356,000 to about HK$1,007,000, and it recorded an after-tax loss of approximately HK$4,916,000 for the year (2006: profit of about HK$114,002,000). Profit attributable to shareholders decreased from last year's approximately HK$78,856,000 to approximately HK$782,000. Basic earnings per share were approximately HK0.16 cent (2006: HK19.54 cents). Excluding the special write off and provision for bad and doubtful debts already included in the balance sheet amounting to HK$34,065,000 in total, the Group recorded profit of approximately HK$29,149,000.

BUSINESS REVIEW

For the year under review, sales of cable and wire business approximated at HK$739,232,000, representing about 19.2% of the Group's total turnover, while sales of copper rod products was approximately HK$2,363,605,000, making up about 61.2% of the total turnover. After the Group completed the acquisition of the entire equity interest in Brascabos Componentes Eletricos e Eletronicos Ltda. ("Brascabos"), originally an indirect subsidiary of Whirlpool, in late July 2006, the sales of connectors and terminals/wire harnesses business for the year under review grew significantly to approximately HK$641,032,000, accounting for 16.6% of the Group's total turnover.

By market, turnover from Mainland China and Hong Kong grew 67.7% to approximately HK$2,924,240,000 against the previous year, representing about 75.8% of the Group's total turnover. Subsequent to the acquisition of Brascabos, the Group has extended its reach to South America which reported approximately HK$482,268,000 in turnover, accounting for 12.5% of the total turnover. Therefore, the Americas market recorded approximately HK$690,279,000 in turnover, 267.0% more than in the previous year, accounting for 17.9% of the total turnover. Other markets in Asia showed a year-on-year growth of 35.0% in turnover to about HK$196,396,000, accounting for 5.1% of the Group total, while turnover from Europe increased by 28.7% to approximately HK$48,913,000 against the previous year, accounting for 1.3% of the total turnover.

Cable and Wire

During the year under review, many smaller manufacturers were ousted from the market because of persistently high metal prices. As for the Group's core cable and wire business, riding on a solid foundation, it was able to secure more customers and expand market share. Total turnover from the business grew by 16.3% to HK$869,661,000 against last year.

Increasing procurement costs of raw materials and high labour costs posed pressure on the Group's production costs. Furthermore, being still in their initial stage of operation needing to secure safety certification and more customers, the Group's new factories in Shang Hang County, Fujian province and Kunshan had not been able to bring in significant contribution in the year under review and a start-up investment was needed to inject into those factories, which included expenses in relation to the application of the safety certification for different products and the sales and marketing, causing the overall segment to record a decrease in profit.

Connectors and Terminals/Wire Harnesses

Total turnover from connectors and terminal/wire harnesses business for the year soared 354.3% to HK$641,426,000, mainly attributable to expansion of the segment. The Group completed the acquisition of Brascabos, the leading wire and automobile harness manufacturer in Brazil, in July 2006. This new member of the Solartech family provided profit contribution to the Group in the year under review. In addition to supplying to Brascabos' major customer Whirlpool, the Group also expanded its sales and marketing department to facilitate full exploitation of Brascabos' presence in the South America market. Since then, Brascabos had made remarkable progress in developing new domestic customers in South America. The Group will also make use of its extensive international customer network to promote Brascabos' wire products, so as to boost its profitability and contribution to the Group.

Furthermore, the Group will continue to ride on Brascabos to expand the automobile harness business. The extensive experience of Brascabos in the business area, complemented by the advanced technology the Group intends to bring in will enable the Group to tap opportunities in the automobile harness markets in Latin America and other regions in the world.

Our new factory in Chonburi, Thailand started operation in April 2006, with an annual production capacity of 45,600,000 sets of connectors and terminals/wire harnesses. Apart from satisfying the demands of local production facilities of Electrolux, Sony and Thompson Electric, etc., it also laid the milestone for the Group foothold in Thailand market. The Group will continue to actively develop the customer network in this market.

Copper Rod

The Group's copper rod business continued to be operated through its listed subsidiary Hua Yi Copper Holdings Limited ("Hua Yi Copper"), a specialist in manufacturing and selling copper rods and copper wires products for use primarily to produce wires and cables for home electrical appliances and electronic products.

During the year under review, the booming Chinese economy and domestic and overseas manufacturers expanding their production scale in the PRC had fueled demand for copper rod products. However, with copper price standing persistently high, translating into higher procurement cost in relation to purchase of copper cathode, many small factories with limited capital were ousted. The industry consolidation worked in favor of Hua Yi Copper's copper rod business. During the year under review, turnover from copper rods and related products increased by approximately 87.22% to HK$2,666,903,000 when compared with the previous year (2006: HK$1,424,450,000). Hua Yi Copper processed approximately 3,500 tonnes of copper products per month manufactured for and sold by itself, compared with approximately 2,800 tonnes per month in the previous year.

Hua Yi Copper also continued to develop high value-added downstream products including annealed copper wires, tin-coated copper wires, stranded copper wires and enameled copper wires. These products accounted for approximately 12% of its total turnover.

Copper price came down slightly from the record high of US$8,788 per tonne in May last year, but continued to linger on high levels. During the period between July 2006 and June 2007, the average cash settlement price of London Metal Exchange ("LME") copper was US$7,078 per tonne, 40.1% higher when compared to US$5,052 per tonne in the previous 12 months.

During the year under review, the average utilization rate of Hua Yi Copper's Dongguan plant for products manufactured for and sold by itself surged from approximately 60% in the previous year to 70%. As Hua Yi Copper uses letters of credit and trust receipt loans to settle copper cathode purchases for its copper rod manufacturing and trading business, the higher copper prices in the year increased its finance costs in relation to purchasing and selling copper cathodes, and in turn limited its profit. As for the processing service business, since Hua Yi Copper does not need to purchase copper cathodes for customers, rise in the cost of copper cathodes had no significant impact on the production and operation costs of the business.

In the past two years, Hua Yi Copper had strived to expand production scale so as to satisfy huge market demand for copper products as well as support business development. Currently, in addition to the production facilities in Dongguan, Hua Yi Copper has set up two new production plants namely Kunshan Hua Yi Copper Products Co. Ltd. ("Kunshan Hua Yi") in Kunshan City of Jiangsu Province and Fujian Jinyi Copper Products Co. Ltd. ("Fujian Jinyi"), a joint venture with Zijin Mining Group Co., Ltd. ("Zijin Mining"), in Shang Hang County of Fujian Province.

Kunshan Hua Yi

The factory of Kunshan Hua Yi, which commenced operation in late July 2006, manufactures mainly high value-added downstream products including annealed copper wires, tin-coated copper wires, stranded copper wires and copper wires of different specifications and has a designed output capacity of 10,000 tonnes per annum. In its first year of operation, it already brought turnover of HK$283,262,000 to Hua Yi Copper. With many domestic and foreign manufacturers and enterprises locating their production base in the Yangtze River Delta Region, Hua Yi Copper sees potential in securing more orders from manufacturers of electrical appliances, electronic products and wires in the region. When Kunshan Hua Yi's operation matures and more customers are secured, it is expected to bring more significant contribution. Hua Yi Copper will continue to identify new customers and strive to increase the sales of its high value-added downstream products.

Fujian Jinyi

Hua Yi Copper signed an agreement with Zijin Mining to establish Fujian Jinyi in Shang Hang County, Fujian Province. The joint venture company, 45% held by Hua Yi Copper, mainly manufactures and distributes copper pipes in the region. Construction of the factory was completed in early 2007 with machines tuned and trial production has been in progress since October 2007.

When fully operational, the factory will have an annual production capacity of around 10,000 tonnes of copper pipes for use in refrigerators and air-conditioners. As Shang Hang County has rich copper mine resources, Fujian Jinyi enjoys lower production costs and higher price competitiveness than its peers.

Copper Recycling Business

Taking into consideration the impacts of environmental protection regulations, purchasing and taxation issues on the efficiency and profit of the business, Hua Yi Copper decided to shelve related development plan for the time being and focus resources on developing other businesses with higher returns.

Life-like plant

Hua Yi Copper signed an agreement on 19 May 2007 to sell its non-core life-like plant business at a total consideration of HK$60,000,000. Upon the completion of the transaction, Hua Yi Copper will be able to focus resources and management efforts on its core business.

PROSPECTS

The Group raised approximately HK$63,800,000 from a share placement in August 2007. The move significantly enhanced the Group's shareholder base and financial situation, giving it a strong foundation for business expansion. Out of the proceeds raised, around HK$25,000,000 was intended for use as general capital to expand sales of all business segments, while the balance of approximately HK$38,800,000 would be invested in growing the business in Brazil.

For cable and wire business, the Group expects demands for its products to grow at steady pace and the business to gain market share as the sector continues to consolidate. With the Kunshan and Shang Hang factories having started operation and enjoying concessions from local governments and relatively lower production cost when compared with other parts in the Pearl River Delta, the Group will actively seek to increase the proportion of high margin products in its output and expand its customer base. To elevate the new factories' turnover and profit, the Group would negotiate with certain large enterprises on possible co-operation. Furthermore, the Group has recently set up an international sale and market department targeting at the South America and Europe markets and also a new representative office in Italy to develop the market. To accelerate expansion in those markets, the Group is considering acquiring local production facilities.

The Group's connectors and terminals/wire harnesses business has prospered in recent years and is expected to turn into a major growth driver of the Group in the future. To capitalize on the growing white goods market in South America, the Group will keep on introducing international customers to Brascabos' in order to strengthen the domestic customer base. The Group will also study the feasibility of spinning off Brascabos via mergers or acquisitions to speed up its development.

Being the ninth largest automobile producer in the world, Brazil is a major automobile harness market with strong growth potential for the Group. As for Thailand dubbed "Detroit of the East" where the Group has a plant, it also has a thriving automobile industry presenting abundance opportunities to the Group.

Drawing on Brascabos' advanced technology for manufacturing automobile harnesses and our strategic presence in Thailand, we will actively expand our automobile harness business in South America and Southeast Asia, and eventually expand the mature business to cover also Mainland China.

Mining Business

The Group entered into a share purchase agreement on 7 October 2007 to acquire two iron-ore mines in Chengde City, Long Hua County of Hebei Province in cash and by way of issuance of consideration shares and call option agreement valued at approximately HK$167,000,000 in total. The transaction covers 95% benefit from the mining exploration rights in one iron-ore mine, and 90.25% effective interests in the mining rights in another one and ownership of its iron-ore concentrated powder processing facility with an estimated annual processing capacity of 300,000 tonnes. The purpose of the acquisition is to derive income from sales of minerals resources to be extracted from the two mines, thereby generating immediate cash flow and revenue.

Armed with abundant industry experience, quality products, solid customer relationship and an expanded production scale, the Group will continue to develop its core copper rod business and explore opportunities for developing the metal mining business so as to generate satisfactory returns for shareholders. With the iron core mining business to be undertaken by Hua Yi Copper through the issuance of consideration shares under the agreement which would reduce the Group's interest in Hua Yi Copper to less than 50%, Hua Yi Copper will change from a subsidiary of the Group to an associated company. Solartech will ensure this dilution of shareholding will bring more reasonable returns to shareholders.

In addition, the Group will reinforce the foundation of its different businesses by consolidating resources and targeting to increase operational efficiency and profit margin. It also plans to increase automation and streamline work procedures, so as to enhance efficiency and reduce costs. Looking forward, on the firm foundation of the core cable and wire business and benefiting from the synergies resulting from the acquisition of Brascabos, the Group will strive to increase its market shares and grow its businesses globally, thereby assuring better returns for shareholders.

EMPLOYEES

As at 30 June 2007, the Group had approximately 7,000 employees in Hong Kong, the PRC and overseas. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 30 June 2007, the Group had implemented a prudent financial management policy. As at 30 June 2007, the Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK$383 million (30 June 2006: HK$426 million) and net current assets value being over approximately HK$378 million (30 June 2006: HK$558 million). The Group's gearing ratio as at 30 June 2007 was 0.77 (30 June 2006: 0.58), being a ratio of total bank borrowings of approximately HK$726 million (30 June 2006: HK$546 million) to shareholders' funds of approximately HK$938 million (30 June 2006: HK$941 million).

On 24 April 2006, the Company entered into the subscription agreements with the subscribers which are third parties independent of the Company for the issue of zero coupon convertible notes (the "convertible notes") with the maturity date being the first business day after the second anniversary from 6 May 2006, the date of issue of the convertible notes. The aggregate principal amount of the zero coupon convertible notes (the "convertible notes") is US$10,000,000 (equivalent to HK$78,000,000). The subscribers are entitled to convert the convertible notes commencing on and excluding the 14th day after the issue date up to and including the date which is 14 days prior to the maturity date. In the event that the average closing price for any 30 consecutive dealing days representing 150% or more of the conversion price, the outstanding principal amount of the convertible notes will be mandatorily converted into the ordinary shares of the Company at the conversion price of HK$1.10 per share. The Company is required to redeem the convertible notes at its face value for the outstanding principal amount of the convertible notes at the maturity date.

As at 30 June 2007, the Group had pledged certain property, plant and machinery, land use rights, fixed bank deposits and trade debtors with an aggregate net book value of approximately HK$265 million (30 June 2006: HK$197 million) to secure general banking facilities granted to the Group.

During the year ended 30 June 2007, the Group's finance costs increased by approximately HK$30 million to approximately HK$67 million. The increase was due to (i) a notional interest of HK$6 million being charged in respect of the convertible notes issued by the Company on 9 May 2006; and (ii) increased turnover of copper products which led to higher working capital and higher finance costs having been incurred.

As at 30 June 2007, the Company had issued guarantees to the extent of approximately HK$223 million (30 June 2006: HK$243 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK$738 million (30 June 2006: HK$543 million) was utilised. In addition, the Company had issued guarantees to a financial institute amounting to approximately HK$39 million (30 June 2006: HK$39 million) in respect of commodity trading of copper by its subsidiaries.

For the year ended 30 June 2007, the Group entered into copper forward contracts, foreign exchange forward contracts and interest rates swap contracts (collectively referred as "derivative financial instruments" thereafter) to manage the copper price risks, foreign exchange risks and interest rate risks. These derivative financial instruments were entered into in accordance with the Group's hedging policies, but they were not qualified for hedge accounting under the new HKFRS which became effective from 1 January 2006. Therefore, the outstanding derivative financial instruments have to be revalued and stated at their fair value at the balance sheet date and the changes in fair value were charged to current year's income statement.

The Group's overall financial risk management focuses on the unpredictability of the financial markets, controls the level of financial risks that the Group can bear, and minimised any potential adverse effects on the financial performance of the Group. The purpose of the financial risk management is to ensure that transactions undertaken are in accordance with the Group's policies and not for speculative purpose. The net loss of the derivative financial instruments for the year ended 30 June 2007 was approximately HK$269,000 (net gains for the year ended 30 June 2006: HK$79,146,000).

ACQUISITION OF BRASCABOS

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

PROPOSED TRANSACTION – ESTABLISHMENT OF A JOINT VENTURE COMPANY WITH BEIJING FORCE AUTOMOTIVE WIRE CO. LTD

On 16 February 2007, the Company and 北京福斯汽車電線有限公司 (Beijing Force Automotive Wire Co. Ltd.) entered into a memorandum of understanding ("MOU"), pursuant to which the parties agreed conditionally to the establishment of a joint venture company in the People's Republic of China to engage in the manufacturing and sales of automotive harness and cables. The formation of the joint venture company was subject to various conditions and the entering into of definitive legally binding documentation. The details of the material terms of the

MOU were set out in the announcement dated 21 February 2007. On 28 September 2007, the Company announced that, as the conditions under the MOU had not been fulfilled, the parties have agreed not to proceed with the proposed transaction.

PROPOSED ACQUISITION FROM JIANGXI HUAGAN LEIXIN COPPER CO., LTD

On 10 April 2007, Hua Yi Copper Holdings Limited ("Hua Yi Copper"), a subsidiary of the Company whose shares are listed on The Stock Exchange of Hong Kong Limited) (the "Stock Exchange") entered into a letter of intent ("LOI") with 江西華贛磊鑫銅業有限公司 (Jiangxi Huagan Leixin Copper Co., Ltd.). Pursuant to LOI, Hua Yi Copper agreed conditionally to enter into formal binding sale and purchase documentation to acquire 51% equity interests in 江西鴻陽銅業有限公司 (Jiangxi Hongyang Copper Co., Ltd), a company which was engaged in the production of copper materials and sulphuric acid with plans to engage in the copper mining business ("Proposed Acquisition"). Hua Yi Copper was not legally bound under the LOI to proceed with the Proposed Acquisition. The details of the material terms of the LOI were set out in the joint announcement made by Hua Yi Copper and the Company on 11 April 2007. On 28 September 2007, Hua Yi Copper and the Company jointly announced that, as the conditions under the LOI had not been fulfilled, the parties to the LOI had agreed not to proceed with the Proposed Acquisition.

DISCLOSEABLE TRANSACTION – DISPOSAL OF CERTAIN SUBSIDIARIES OF HUA YI COPPER UNDER CONDITIONAL SALE AND PURCHASE AGREEMENT

On 21 May 2007, Hua Yi Copper and the Company jointly announced that Brightpower Assets Management Limited (the "Vendor", a company incorporated in the BVI and an indirect wholly-owned subsidiary of Hua Yi Copper), Eternal Gain Investments Limited (the "Purchaser", a company incorporated in the BVI) and Kong Sun Holdings Limited ("Kong Sun", a company whose shares are listed on the Stock Exchange and which holds 100% of the Purchaser) entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") on 19 May 2007. Upon completion of the Sale and Purchase Agreement, the entire issued share capital of each of FT Far East Limited ("FTE") and FT China Limited ("FTC"), being the Sale Companies and directly wholly-owned subsidiaries of the Vendor, will be sold to the Purchaser, and an indebtedness in the sum of HK$80,786,000 owed by FTFE to the Vendor will be assigned to the Purchaser, for an aggregate consideration of HK$60 million. The aggregate consideration will be settled by way of Kong Sun executing upon the completion date a promissory note in the amount of HK$20 million to the Vendor and partly by way of Kong Sun issuing upon the completion date the convertible bonds for an aggregate principal amount of HK$40 million to the Vendor or its nominees as the Vendor may direct.

FTE is principally engaged in trading of life-like decorative plants and FTC is principally engaged in manufacture of life-like decorative plants through its wholly owned subsidiary. The life-like decorative plants and related business, as engaged by the Sale Companies, is a non-core business operation of the Group of Hua Yi Copper (the "Hua Yi Group") and that it operates in a totally different business model when compared with the core copper business of the Hua Yi Group. It occupies financial and management resources of the Hua Yi Group in a higher proportional weight than it should have occupied in the Hua Yi Group. At the same time, this operation had not generated sufficient cash flow to the Hua Yi Group. Accordingly, the directors of Hua Yi Copper decided to dispose of this non-core business operation and concentrate its resources and management effort in its core copper business. The directors of Hua Yi Copper considered that the disposal will generate a much higher cash flow in coming three to four years than keeping the Sale Companies within the Hua Yi Group. In conclusion, the Hua Yi Group will not only benefit from a stronger working capital position after realizing the proceeds from disposal, but also could direct all its corporate resources previously occupied by the Sale Companies towards the development of the core copper business. This will enhance the capability of the Hua Yi Group in horizontal expansion and vertical integration in the core copper business. The details of the material terms of the Sales and Purchase Agreement were set out in the circular dated 8 June 2007.

On 20 September 2007, Hua Yi Copper and the Company jointly announced that the parties of the Sales and Purchase Agreement have entered into a supplemental agreement (the "Supplement Agreement") on 19 September 2007 to amend certain provisions of the Sale and Purchase Agreement. The details of the material terms of the Supplemental Agreement were set out in the joint announcement of Hua Yi Copper and the Company dated 20 September 2007.

POST BALANCE SHEET EVENTS

Placing of Existing Shares and Subscription of New Shares of the Company

Pursuant to the placing and subscription agreement dated 13 August 2007 between Mr. Chau Lai Him and Chau's Family 1996 Limited which is wholly-owned by the Chau's Family 1996 Trust (the "Vendors") and Kingston Securities Limited, the Vendors placed 97,000,000 ordinary shares of HK$0.01 each in the capital of the Company to independent investors at a price of HK$0.68 per share and subscribed for 97,000,000 new ordinary shares of HK$0.01 each in the capital of the Company at a price of HK$0.68 per share (the "Top-Up placing"). The net proceeds from the Top-Up placing amounted to approximately HK$63.8 million. Approximately HK$25 million of the net proceeds was intended to be used for general working capital of the Group and the remaining approximately HK$38.8 million was intended to be used for implementation of business expansion in the Group's business operation in Brazil. The Top-Up Placing was completed on 22 August 2007. Details of the Top-Up Placing were set out in the joint announcement of the Company and Hua Yi Copper dated 13 August 2007.

Placing of New Shares of Hua Yi Copper

On 25 June 2007, Hua Yi Copper and CCB International Capital Limited (the "Placing Agent") entered into the Placing Agreement pursuant to which the Placing Agent placed 30,000,000 ordinary shares of HK$0.20 each in the capital of Hua Yi Copper a price of HK$1.20 per share on a best effort basis (the "Placing"). The Placing was completed on 10 July 2007 and a total of 30,000,000 ordinary shares of HK$0.20 each in Hua Yi Copper were placed. The details of the Placing were set out in the circular dated 19 July 2007.

As at 30 June 2007, Skywalk held 402,131,875 shares in Hua Yi Copper, representing approximately 59.74% of the issued share capital of Hua Yi Copper. Prior to the Placing, Skywalk held 402,131,875 shares in Hua Yi Copper, representing approximately 59.74% of the issued share capital of Hua Yi Copper. Upon completion of the Placing, Skywalk held 402,131,875 shares in Hua Yi Copper, representing 57.19% of the then enlarged issued share capital of Hua Yi Copper.

Placing of Existing Shares and Top-up Subscription of New Shares of Hua Yi Copper

On 29 August 2007, Skywalk Assets Management Limited ("Skywalk"), a wholly owned subsidiary of the Company, entered into the placing and subscription agreement (the "agreement") to place and subscribe for new shares in Hua Yi Copper (the "Placing and Top-Up Subscription"). Pursuant to the agreement, Skywalk placed 80,000,000 ordinary shares of HK$0.20 each in the capital of Hua Yi Copper to independent investors at a price of HK$0.96 per share and subscribed for 80,000,000 new ordinary shares of HK$0.20 each in the capital of Hua Yi Copper at a price of HK$0.96 per share. The Placing and Top-Up Subscription were completed on 7 September 2007. Details of the Placing and Top-Up Subscription were set out in the joint announcement of Hua Yi Copper and the Company dated 31 August 2007.

Prior to the Placing and Top-Up Subscription, Skywalk held 402,131,875 shares in Hua Yi Copper, representing approximately 57.19% of the issued share capital of Hua Yi Copper. Upon completion of the Placing and Top-Up Subscription, Skywalk held 402,131,875 shares in Hua Yi Copper, representing 51.35% of the then enlarged issued share capital of Hua Yi Copper.

Major Transaction and Very Substantial Disposal

On 7 October 2007, Hua Yi Copper entered into a share purchase agreement with Belleview Global Limited ("Belleview") pursuant to which Hua Yi Copper agreed to acquire (the "Acquisition") the entire issued share capital of Yeading Enterprises Limited ("Yeading") for a consideration which comprises of (i) a cash amount of a HK$ equivalent of RMB55,000,000 (subject to adjustment, if applicable); (ii) HK$110,000,000 payable by the issuance of 100,000,000 Hua Yi Copper Shares (the "Consideration Shares") to Belleview at completion; and (iii) the grant by the Company to Belleview at completion of an option to subscribe for up to 50,000,000

Hua Yi Copper Shares (the "Option Shares") at the exercise price of HK$1.10 per Hua Yi Copper Shares during the period of 5 years from the business day immediately following the date of the option agreement.

On 7 October 2007, HYC Finance Company Limited, a wholly-owned subsidiary of Hua Yi Copper, ("HYC"), Meyton Investment Limited, a wholly-owned subsidiary of Yeading, ("Meyton") and Yeading entered into a loan agreement (the "Loan Agreement") pursuant to which HYC agreed to lend to Meyton HK$30,000,000 which shall be applied for the sole purpose of contribution to the registered capital of 青島華鑫礦業有限公司 (Qingdao Hua Xin Mining Industry Limited). Details of the Acquisition and the Loan Agreement were set out in the joint announcement of the Company and Hua Yi Copper dated 15 October 2007.

The proposed issuance of the Consideration Shares and the Option Shares is subject to the approval of the shareholders of Hua Yi Copper to grant a specific mandate in respect of such issuance. As the Acquisition constitutes a major transaction and is deemed to be a very substantial disposal for the Company under the Listing Rules, and the Acquisition will be subject to the approval of shareholders of the Company.

As at the date of the publication of the announcement on 15 October 2007, the Company (through its interest in Skywalk) beneficially owned approximately 51.35% of the issued share capital of Hua Yi Copper. The beneficial interest of the Company in the issued share capital of Hua Yi Copper will be reduced from approximately 51.35% to approximately 45.53% immediately upon completion, and may further be reduced to approximately 43.09% upon the allotment and issue of the Option Shares. As a result, Hua Yi Copper will cease to be a subsidiary of the Company upon completion.

(iii) For the year ended 30 June 2006

FINANCIAL REVIEW

Herein are the results of the Company and its subsidiaries (the "Group") for the 12 months ended 30 June 2006 (the "Period"). As in 2005 the Group changed its financial year-end date from 31 March to 30 June, the results for the Period should not be directly compared with the results for the 15 months ended 30 June 2005 (the "Previous Year").

The Directors are pleased to announce that the Group recorded a turnover of approximately HK$2,115,548,000 for the Period, or on average, approximately HK$176,296,000 per month, 29% more than the per month average in the Previous Year. Profit from operations was HK$151,207,000. Profit for the Period was approximately HK$114,002,000, in which HK$79,146,000 was attributable to the realisation of the copper forward contracts and foreign exchange forward contracts (which are solely for hedging and risk management purposes) at their fair value in the consolidated income statement due to adoption of new accounting standards for the Period. Profit attributable to shareholders was approximately HK$78,856,000 (The Previous Year: loss attributable to shareholders was HK$60,659,000). Basic earnings per share was approximately HK19.5 cents (The Previous Year: Loss per share was around HK18.9 cents).

In the Previous Year, the Group's total turnover, profit from operations and loss attributable to shareholders were approximately HK$2,056,288,000, HK$3,170,000 and HK$60,659,000 respectively. Loss per share was approximately HK18.9 cents.

The Directors have proposed a final dividend of HK4 cents per ordinary share for the year ended 30 June 2006 (the Previous Year: Nil) to those shareholders whose names appear on the register of members on 22 November 2006. Subject to the approval of shareholders at the forthcoming annual general meeting, dividend will be paid on or about 1 December 2006.

BUSINESS REVIEW

During the Period, sales of cable and wire products approximated at HK$653,271,000, representing about 31% of the Group's total turnover; sales of copper rod products was approximately HK$1,209,150,000, representing about 57% of the Group's total turnover. Sales of connectors and terminals/wire harnesses totaled approximately HK$139,897,000, accounting for 7% of the Group's total turnover, while sales of life-like plants and other business were HK$87,605,000 and HK$25,625,000 respectively.

By market, sales from Mainland China and Hong Kong accounted for 82% of the Group's total turnover. Sales from North America accounted for 9% of the Group's turnover. Sales from other markets in Asia and Europe accounted for 7% and 2% of the Group's turnover respectively.

Cable and Wire

The consistently high prices of plastic and metal materials and increasing labour costs in the Pearl River Delta region continued to present a difficult operating environment for the cable and wire sector. Nevertheless, with the sector consolidating and smaller manufacturers being ousted, the Group was able to capture a larger market share. Moreover, given the continuous growth of the manufacturing sector in Mainland China and Yangtze River Delta regions emerging as the preferred base for local and foreign enterprises to develop Eastern China markets and extend business overseas, demand for the Group's cable and wire was satisfactory. During the Period, the Group's profit margin improved as a result of its endeavor to implement effective cost control measures and increased selling prices which enable the Group to partly transfer the soaring costs to customers and having received orders for products of higher margins.

To maximize cost efficiency and expand production scale, the Group strategically set up new manufacturing bases close to its customers. During the Period, the Group had made progress with two new plants in the following manner.

Kunshan Chau's Electrical Co. Ltd. ("Kunshan Chau's Electrical")

Heeding the increasing importance of the Yangtze River Delta region in China, the Group established Kunshan Chau's Electrical in Kunshan. On a 43,000 sq.m. site, the factory completed trial operation in the end of July 2006 and commenced full operation in the end of September 2006. Located near Shanghai and with an annual production capacity of approximately 84,000,000 sets of cable and wire products of various specifications, the plant is set to fulfill demands from customers in the Eastern and Northern parts of China.

Fund Resources Electric Industry Co. Ltd. (Shang Hang) ("Shang Hang Fund Resources")

The Factory of Shang Hang Fund Resources, located in Shang Hang county of Fujian Province, commenced trial production in February 2006. The factory, on an approximately 5,000 sq.m. site, will have an annual production capacity of approximately 36,500,000 sets of cable and wire products. The plant will not only fulfill demands from customers in this region, who are mainly Taiwanese manufacturers. But will also enjoy lower production cost and will be competitive in term of pricing amongst its peers.

Besides, the Group's HK-listed subsidiary Hua Yi Copper Holdings Limited has agreed with the subsidiary and the ultimate controlling company of Zijin Mining Group Co. Ltd. ("Zijin") to establish Fujian Jinyi Copper Products Co. Ltd. ("Fujian Jinyi") at Shang Hang. This initiative has laid a solid foundation for the Group's future cooperation opportunities with Zijin in other cable and wire businesses.

During the Period, the Group also reduced operational costs and optimized logistics management, a particular example being the consolidation of shipments at the Group's primary shipping port in Yantian, which resulted in enhanced cost effectiveness.

Copper Rod

The Group's copper rod business is operated through its listed subsidiary Hua Yi Copper Holdings Limited ("Hua Yi Copper"), which is principally engaged in the manufacturing and trading of copper rods and copper wires. Such products are largely sold as raw materials for cables and wires and are in turn used in the production of electrical appliances and electronics products.

During the Period, the supply of copper in both the PRC and the world markets remained tight. The limited stock can be traced to factors such as: insufficient output of copper concentrates; rising demand for copper by the global community; and growing appetite for materials in the PRC. As at 30 June 2006, the visible copper stocks published by the world's two sizable metal futures exchanges (i.e. London Metal Exchange ("LME") and New York Commodities Exchange) were at historic lows of merely 25,525 tonnes and 3,681 tonnes respectively. Accordingly, copper prices have continued to escalate.

As a result, the cash price of copper quoted by the London Metal Exchange ("LME") achieved a record high of US$8,788 per tonne on 12 May 2006. The average cash settlement price of LME copper transacted was US$5,052 between July 2005 to June 2006, representing an increase of US$2,032 or 67% compared to the previous 18-month period.

Capitalizing on strong demand for copper products and benefiting from ongoing expansion of the PRC economy, on average, monthly sales of the Group's copper rod products was approximately HK$100,762,000 for the Period, representing an increase of 45% against HK$69,459,000 in the Previous Year. Currently, high value-added, downstream products account for about 36% of the total turnover of Hua Yi Copper.

During the Period, with industry demand in excess of supply, the Group received more orders and enjoyed stronger bargaining power in price negotiations. The existing Dongguan plant achieved an average utilization rate of approximately 60% for products manufactured and sold by the Group (the Previous year: 60%), and the other 40% of the production capacity were consumed by orders from other manufacturers, to whom the Group provided mainly copper rod processing service. For the copper rod processing service business, rise in material costs from high copper prices was borne by customers and had no significant effect on the Group. However, for the Group's copper rods manufacturing and trading business, since it needs to order copper cathodes from suppliers with letters of credit and trust receipt loans, the higher copper prices in the review Period increased its required working capital and finance costs, which in turn limited growth of this business area in the Period. The Group was able to partially transfer the increase in finance costs including hikes in interest rates to customers.

The existing production facilities located in Dongguan of Guangdong Province, China is able to support a double or more growth in business volume. To capitalize on the surging copper demand and development of the domestic and international copper markets, the Group invested in the following facilities and had made progress during the Period:

Kunshan Hua Yi Copper Products Co. Ltd. ("Kunshan Hua Yi")

The Group's production plant under Kunshan Hua Yi in Jiangsu Province commenced operation in late July 2006. Recognizing the growing significance of the Yangtze River Delta Region as a manufacturing base for local and international enterprises, the facility on a 38,000 sq. m. site and with a designed output capacity of 10,000 tonnes of copper wires of various specifications per annum will serve customers in the region. Based on current copper prices, the annual production value at full capacity will be over US$70 million. The products manufactured will chiefly comprise high value-added downstream products including annealed copper wires, tin-coated copper wires, stranded copper wires and enameled copper wires targeting the region's manufacturers of electrical appliances, electronic products and wires.

Copper Recycling Plants in Dongguan and Jingjiang

With the central government and different government departments supporting and promoting the use of recycled copper as raw materials, the Group has put significant efforts into developing this business as reflected in its investment in two copper recycling plants in Dongguan and Jingjiang. These two projects involve integrated utilization of resources using the latest technology, which may preserve mineral resources and alleviate environmental pollution.

The copper recycling plant in Changling, Jingjiang（「靖江長凌銅業有限公司」）began commercial production in late August 2006. With an area 10,740 sq.m. the factory has an annual production capacity of 48,000 tonnes of 8.0mm copper rods. The plants have received approval by the State Office of Electricity (國家電辦) to import used motors, electrical wires and cables to meet production requirements.

At the end of the period, the copper recycling plant at Dongguan was still in the process of installing the machinery and the installation was completed in September this year, after which, trial operation will begin. When fully operational, the Dongguan facility will have an annual production capacity of approximately 30,000 tonnes of 2.6mm, 3mm and 8mm copper rods. These are the key materials for industries such as telecommunication cable industry and electrical cable industry. Given the continuous infrastructure development to nurture growth of economies in Western China, the Group sees huge room for development for the business.

Fujian Jinyi Copper Products Co. Ltd. ("Fujian Jinyi")

In September, 2005, Hua Yi Copper agreed with the subsidiary and the ultimate controlling company of Zijin Mining Group Co., Ltd. to establish Fujian Jinyi Copper Products Co. Ltd at the Shang Hang County of Fujian, China. The joint venture company has a registered capital of RMB40 million with the Group holding a 45% equity interest. The 12,000 sq.m. facility of Fujian Jinyi is targeted for completion by the end of the year and will commence operation in 2007. When fully operational, the facility will have an annual capacity of 10,000 tonnes of copper pipes for use in manufacturing refrigerators and air-conditioners. As Shang Hang County has rich copper mine resources, Fujian Jinyi will enjoy lower production costs and higher price competitiveness among its peers.

Upon full operation of all the new factories, the Group's total annual production capacity will be more than doubled from 66,000 tonnes to 164,000 tonnes of copper rods and copper wires so as to enjoy a larger economies of scale.

Life-like plant and others

Sales of life-like plants and other businesses of Hua Yi Copper were HK$87,605,000 and HK$1,111,000 respectively. To focus resources on the development of core cable and wire business, the Group will consider divesting the life-like plant business should the right opportunity arise.

Connectors and Terminals/Wire Harnesses

Connectors and terminals/wire harnesses are the primary ancillary products for manufacturers of such as household appliances and office equipment. With artificial intelligence products gaining popularity, the Group has been receiving ever-increasing orders for these related high value added products. Turnover from these products jumped from HK$9,000,000 in 1999 to HK$139,897,000 during the Period. On average, monthly sales of connectors and terminals/wire harnesses totalled approximately HK$11,658,000, 18% higher than HK$9,847,000 in the Previous Year.

To support the expansion of this business segment, the Group's additional production lines for connectors and terminals in Qingdao, Shangdong Province commenced production in June 2004. On a 4,700 sq.m. site, the factory has an annual production capacity of approximately 123,600,000 sets of connectors and terminals/wire harnesses.

The Group has also established another new factory in Chonburi, Thailand with a site area of approximately 1,650 sq.m. and an annual production capacity of approximately 45,600,000 sets of connectors and terminals/wire harnesses. The plant commenced production in April 2006 and is expected to fulfill demands from existing customers' facilities in Thailand such as Electrolux, Sony and Thompson Electric.

Strategic Acquisition of Brascabos

On 30 May 2006, the Group entered into an agreement with Whirlpool to acquire 100% equity interest in Brascabos Componentes Eletricos e Eletronicos Ltda ("Brascabos") for US$10,000,000. The acquisition was completed on 31 July 2006.

Brascabos was founded by Whirlpool's Brazilian subsidiary, Whirlpool S.A., which is one of the largest white goods manufacturers in Brazil. Brascabos is the leading wire and automobile harness manufacturer in the country. Its products are used by the white goods business in laundry, cooking and refrigerating appliances. They can also be used in automobile parts, communication devices, computers, audio products, video-conferencing equipment and for industrial purposes. Other products that Brascabos manufactures include electronic controls and sensor devices. Brascabos holds patents of certain of its exclusive procedures and products.

The acquisition will allow the Group to quickly gain foothold and seize business opportunities in the booming Latin American economies. The acquisition is also consistent with the Group's development strategy of expanding its distribution network in Europe and America. Moreover, the acquisition will give the Group access to Brascabos' extensive experience and advanced technology in automobile harness operations, which it can apply to capture potential business in the PRC automobile market.

Pursuant to the acquisition agreement, Whirlpool S.A. and Brastemp entered into a 5-year exclusive Supplier Sourcing Agreement with Brascabos on the Closing Date whereby Whirlpool S.A. and Brastemp agreed to purchase from Brascabos 100% of their requirements for certain materials used in their manufacture process in South America.

PROSPECTS

Although the Group has been facing fierce competition and rising raw material costs in the past few years, the management believes the most difficult period for the cable and wire sector is over. Global demand, comprising new and replacement demands, for white goods, electrical and electronic appliances has been growing steadily as new technologies are used in these products. As a supplier of basic components for white goods of various renowned international brands like Whirlpool, Philips, Electrolux, LG and TCL, the Group expects to continue to receive stable demand for its core cable and wire products in the future. The Group will continue to expand its market share taking advantage of the market consolidation. To match the research and development standards of and required by customers, the Group will continue to closely cooperate with customers to create products of various specifications. For example, the Group is setting up a technology development centre in North America to cater the needs of Whirlpool and other customers in North America.

The Group expects the fast developing connectors and terminals/wire harnesses business to emerge as one of its major growth drivers in the future. Leveraging the expertise of Brascabos in manufacturing harnesses for the automotive industry, the Group will also seek to tap the demand for premium automobile harnesses of the robust automobile market in Mainland China. Located in Brazil, Brascabos will also enable the Group to seize opportunities in South America's fast growing white goods market and to expand automobile harness business in the region. The Group is actively negotiating with some of its existing international clients on providing products to their factories in South America.

The Group has made much progress in establishing new plants to boost production capacity. Its vertically integrated operation has enabled it to climb the value chain and produce higher margin products that satisfy market demands. When all the new plants in the PRC and Thailand commence full operation, the Group will see its production capacity doubled, and accordingly its profitability boosted in the coming years.

On 4 May 2006, the Company entered into a memorandum of understanding (the "MOU") with an independent third party to continue negotiation regarding the acquisition of manufacturing facilities located in Europe and China. The facilities currently focus on the production of rubber, PVC, textile and polyurethane cords. The Company is pursuing with due diligence negotiations of the terms of the acquisition and expects to decide in the near future whether to proceed with the transaction. The Group believes the acquisition, if undertaken, will enable it to expand its customer base, increase production capacity and tap top tier markets in Europe. With soaring raw material prices posing high cost pressures on smaller manufacturers, the Group expects more acquisition opportunities to surface in the future for its consideration.

Looking ahead, the Group will strive to boost market shares of its products and expand its business globally, riding on the solid foundation of its core cable, wire and copper rod business and the synergies from acquisition. Its aim is to bring better returns to shareholders.

EMPLOYEES

As at 30 June 2006, the Group had approximately 5,600 employees in Hong Kong, the PRC and overseas. Remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 30 June 2006, the Group had implemented a prudent financial management policy. As at 30 June 2006, the Group had cash and bank balances (including pledged bank deposits) amounted to approximately HK$425 million (30 June 2005: HK$189 million) and net current assets value being over approximately HK$516 million (30 June 2005: HK$345 million restated). The Group's gearing ratio as at 30 June 2006 was 0.58 (30 June 2005: 0.49 restated), being a ratio of total bank borrowings of approximately HK$546 million (30 June 2005: HK$371 million) to shareholders' funds of approximately HK$941 million (30 June 2005: HK$756 million restated). The face value of the convertible notes was HK$78 million.

As at 30 June 2006, the Group had pledged certain property, plant and machinery, land use rights, fixed deposits and trade debtors with an aggregate net book value of approximately HK$196 million (30 June 2005: HK$212 million restated) to secure general banking facilities granted to the Group.

As at 30 June 2006, the Company had issued guarantees to the extent of approximately HK$243 million (30 June 2005: HK$329 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately

HK$166 million (30 June 2005: HK$207 million) was utilised. In addition, the Company has issued guarantees to a financial institute amounting to approximately HK$39 million (30 June 2005: HK$39 million) in respect of commodity trading of copper by its subsidiaries.

In 2005, because of the adoption of new accounting standards in Hong Kong, the Group had to revalue and recognise the copper forward contracts, and foreign exchange forward contracts, (collectively referred as "derivative financial instruments" thereafter) at their fair value at the balance sheet date.

These derivative financial instruments were entered into in accordance with its hedging policies. They are solely used for hedging and risk management purposes; speculation is strictly prohibited. Although it only used the derivative financial instruments for hedging and risk management purposes, it could not fulfill the documentation requirements under the new HKFRS, which was effective from 1 January 2006. Therefore, the outstanding derivative financial instruments have to be revalued and stated at their fair value at the balance sheet date and the changes in fair value were charged to current year's income statement.

The above accounting treatment in fact had no tangible adverse impact on the Group's business operations. The Group's business operations and financial positions continue to be strong and healthy.

The Group's overall financial risk management focuses on the unpredictability of the financial markets, optimising the level of financial risks the Group can bear, and minimising any potential adverse effects on the financial performance of the Group. The purpose of which is to ensure that transactions undertaken are in accordance with the Group's policies and not for speculative purpose.

TOP-UP PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES OF HUA YI COPPER HOLDINGS LIMITED

On 4 July 2005, Skywalk Assets Management Limited ("Skywalk"), a wholly owned subsidiary of the Company, entered into the agreements to place and subscribe for new shares in Hua Yi Copper Holdings Limited ("Hua Yi Copper"), a subsidiary of the Company whose shares are listed on the The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Pursuant to the agreements, Skywalk placed 111,000,000 ordinary shares of HK$0.20 each in the capital of Hua Yi Copper to independent investors at a price of HK$0.88 per share ("Top-Up Placing") and, upon the completion of the Top-Up Placing, subscribed for 111,000,000 new ordinary shares of HK$0.20 each in the capital of Hua Yi Copper at a price of HK$0.88 per share (the "Subscription"). The Top-Up Placing and the Subscription were completed on 7 July 2005 and 18 July 2005 respectively.

Prior to the Top-Up Placing and the Subscription, Skywalk had held 397,121,875 shares in Hua Yi Copper, representing approximately 71.49% of the issued share capital of Hua Yi Copper. Upon completion of the Top-Up Placing and the Subscription, Skywalk held 397,121,875 shares in Hua Yi Copper, representing 59.59% of the enlarged issued share capital of Hua Yi Copper.

In June 2006, Skywalk purchased 3,478,000 shares of Hua Yi Copper at the average price of HK$0.46 per share on the Exchange. As at 30 June 2006, Skywalk held 400,599,875 shares in Hua Yi Copper, representing approximately 60.05% of the issued share capital of Hua Yi Copper.

FORMATION OF A JOINT VENTURE COMPANY FOR THE PRODUCTION OF COPPER PIPE PRODUCTS

On 8 September 2005, Hua Yi Copper entered into an agreement with Fujian Zijin Investment Co., Ltd and Minxi Xinghang State-owned Assets Investment Co., Ltd under which the parties agreed to jointly establish a limited liability joint venture company ("JV") in Fujian Province, the PRC to mainly engage in copper pipes production and sales in Shanghang, Fujian. The JV is named "Fujian Jinyi Copper Products Company Limited." Pursuant to the agreement, the registered capital of the JV is RMB40 million, of which RMB18 million, representing a 45% equity interest in the JV, had to be contributed by Hua Yi Copper. Hua Yi Copper contributed RMB5.4 million in November 2005 and RMB12.6 million in May 2006. The details of the formation of the JV were set out in the circular dated 17 November 2005.

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES OF THE COMPANY

Pursuant to the placing agreement dated 20 April 2006, Chau's Family Trust and Mr. Chau Lai Him (collectively "Chau's Family") placed 93,000,000 ordinary shares of HK$0.01 each in the capital of the Company to certain placees at a price of HK$1.00 per share (the "Placing"). The Placing was completed on 28 April 2006.

Pursuant to the subscription agreement dated 20 April 2006, Chau's Family subscribed for 93,000,000 new ordinary shares of HK$0.01 each in the capital of the Company at a price of HK$1.00 per share (the "Subscription"). As Mr. Chau is a director of the Company and Chau's Family Trust is a substantial shareholder of the Company, each holding approximately 8.97% and 20.9% of the issued capital of the Company respectively, as at the date of the subscription agreement, they were connected persons of the Company pursuant to the Listing Rules. Accordingly, the Subscription constituted a connected transaction pursuant to Chapter 14A of the Listing Rules. Following the completion of the Placing, the approval by the shareholders in the special general meeting held on 5 June 2006 and the granting of the approval by the Stock Exchange for the listing of and permission to deal in the Subscription Shares, the Subscription was completed on 21 June 2006. The details of the Subscription were set out in the circular dated on 17 May 2006.

ISSUE OF CONVERTIBLE NOTES

On 24 April 2006, the Company entered into the Convertible Notes Subscription Agreements with certain investors whereby such investors agreed to subscribe for Convertible Notes (the "Convertible Notes") in the aggregate principal amount of US$10,000,000. Upon the granting of the approval by the Stock Exchange for the listing of and permission to deal in the conversion shares, the issue of the Convertible Notes was completed on 9 May 2006. The Convertible Notes were issued pursuant to the general mandate granted to the directors of the Company on10 November 2005, and were subscribed by the investors themselves or through their nominees in the following principal amounts on completion:

Name of Investor	Principal Amount *(US$)*
Stark Investments	
Centar Investments (Asia) Limited	3.1 million
Shepherd Investments International Limited	0.6 million
Stark Asia Master Fund Limited	0.2 million
Stark International	0.1 million
Goldman Sachs International (nominee of Penta Investment)	3.0 million
Evolution Master Fund Ltd SPC, Segregated Portfolio M	2.0 million
D.B. Zwirn & Co., L.P.	
D.B. Zwirn Special Opportunities Fund, L.P.	0.3334 million
D.B. Zwirn Special Opportunities Fund, Ltd.	0.5836 million
D.B. Zwirn Special Opportunities Fund (TE), L.P. (who had taken an assignment of part of the convertible notes from each of D.B. Zwirn Special Opportunities Fund, L.P. and D.B. Zwirn Special Opportunities Fund, Ltd.)	0.083 million
Total:	10.0 million

USE OF PROCEEDS

The Subscription and the issue of the Convertible Notes raised gross proceeds of approximately HK$93 million and approximately HK$78 million respectively. The proceeds (net of expenses of approximately HK$4 million) of these fund raising exercises of HK$167 million (comprising approximately HK$90 million from the Subscription and HK$77 million for the issue of the Convertible Notes) were used as to approximately HK$78 million for the acquisition of Brascabos Componentes Eletricos e Eletronicos Ltda., a subsidiary of Whirlpool S. A. in Brazil, and the balance for general working capital or funding for future acquisition opportunities when they arise.

POST BALANCE SHEET EVENT

Acquisition of Brascabos constituting a major transaction

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

A. ACCOUNTANTS' REPORT

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Shu Lun Pan Horwath Hong Kong CPA Limited.

Horwath

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31 December 2008

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

Dear Sirs,

We set out below our report on the consolidated financial information of Hua Yi Copper Products Company Limited (the "Company") and its subsidiary (collectively referred to as the "Group") for each of the three years ended 30 June 2006, 2007 and 2008 (the "Relevant Periods"), prepared on the basis set out in Note 1 of Section C below, for inclusion in the circular of Solartech International Holdings Limited ("Solartech") dated 31 December 2008 (the "Circular") in connection with proposed acquisition of (i) the entire equity interest of the Group; and (ii) shareholder's loan of the Group due to the Company's immediate holding company (the "Acquisition") by Solartech.

The Company was incorporated in Hong Kong with limited liability on 6 May 1998. The Group is principally engaged in manufacture and trading of copper products. During the Relevant Periods and up to the date of this report, the Company has one wholly-owned subsidiary, Glory Resources Limited, incorporated in Hong Kong with limited liability on 28 July 2004 which is inactive. The Company's principal place of business is at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong. The Company is a wholly-owned subsidiary of Hua Yi Copper Holdings Limited ("Hua Yi Copper"), incorporated in Bermuda as an exempted company with limited liability and its shares being listed on the Hong Kong Stock Exchange Limited (the "Stock Exchange") during the Relevant Periods. The directors of the

Company consider Solartech, also incorporated in Bermuda as an exempted company with limited liability and its shares being listed on the Stock Exchange, to be its ultimate holding company before 22 April 2008. Since 22 April 2008, Hua Yi Copper became an associate of Solartech pursuant to Hua Yi Copper's acquisition of subsidiaries by way of issuing its shares as partial settlement of the consideration. On the same date, the Company also became an associate of Solartech and Hua Yi Copper became the ultimate holding company of the Company.

The Company and Glory Resources Limited have adopted 30 June as their financial year end for statutory reporting purposes.

The directors of the Company and Glory Resources Limited have prepared the individual financial statements (the "HKFRS Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The HKFRS Financial Statements for the two years ended 30 June 2006 and 2007 were audited by Deloitte Touche Tohmatsu and those for the year ended 30 June 2008 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA. For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for each of the Relevant Periods in accordance with HKFRSs (together with the HKFRS Financial Statements, collectively referred to as the "Underlying Financial Statements").

We have not audited any financial statements of the Company, its subsidiary or the Group in respect of any period subsequent to 30 June 2008.

The financial information and the notes thereto for the Relevant Periods (the "Financial Information") have been prepared based on the Underlying Financial Statements.

For the purpose of this report, we have carried out additional procedures, as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectus and the reporting accountant" as recommended by the HKICPA.

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors of Solartech are responsible for the contents of the Circular in which this report is included.

It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Group as at 30 June 2006, 2007 and 2008 and of the results and cash flows of the Group for the Relevant Periods.

B. FINANCIAL INFORMATION

The Financial Information of the Group has been prepared on the basis set out in Note 1 of Section C.

CONSOLIDATED INCOME STATEMENTS

		Year ended 30 June		
		2006	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*6*	1,145,853	1,620,378	1,834,035
Cost of sales		(1,107,682)	(1,557,252)	(1,812,054)
Gross profit		38,171	63,126	21,981
Interest income		1,687	2,589	2,215
Other income		1,237	448	4
General and administrative expenses		(8,736)	(17,166)	(19,812)
Selling and distribution expenses		(245)	(208)	(1)
Change in fair value of derivative financial instruments	*16*	34,346	(1,845)	32,737
Allowance for doubtful debts	*15*	–	(6,371)	–
Finance costs	*9*	(21,718)	(35,969)	(31,751)
Profit before taxation	*7*	44,742	4,604	5,373
Taxation	*10*	(8,994)	1,389	(352)
Profit for the year attributable to equity holders of the Company		35,748	5,993	5,021
Dividend	*11*	15,000	–	–
Dividend per share (HK Dollar)	*11*	3	–	–
Earnings per share (HK Dollar)	*12*			
– basic		7.15	1.20	1.00
– diluted		N/A	N/A	N/A

Note: No extraordinary item or exceptional item was recorded for each of the three years ended 30 June 2008.

CONSOLIDATED BALANCE SHEETS

		As at 30 June		
		2006	2007	2008
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	*13*	32,204	30,118	26,978
Current assets				
Inventories	*14*	162,443	295,961	321,708
Debtors, other receivables, deposits, prepayments and tax recoverable	*15*	237,637	161,033	111,932
Bills receivable		648	–	–
Amount due from an intermediate holding company	*27(a)*	12	17	–
Amounts due from fellow subsidiaries	*27(a)*	219,236	177,019	184,770
Derivative financial assets	*16*	1,521	1,651	625
Pledged deposits	*25*	12,497	12,379	12,616
Bank balances and cash	*25*	59,554	62,608	87,431
		693,548	710,668	719,082
Current liabilities				
Creditors, other advances, accrued charges and tax payable	*17*	61,156	19,072	12,891
Bills payable	*18*	–	29,865	31,456
Amount due to immediate holding company	*27(a)*	136,025	20	88,003
Amount due to an intermediate holding company	*27(a)*	109,492	73,110	–
Amounts due to fellow subsidiaries	*27(a)*	19,399	70,833	127,230
Obligations under finance leases	*19*	211	466	–
Borrowings, secured	*20*	353,700	497,844	432,759
Derivative financial liabilities	*16*	1,478	1,362	372
		681,461	692,572	692,711
Net current assets		12,087	18,096	26,371
Total assets less current liabilities		44,291	48,214	53,349

		As at 30 June		
		2006	2007	2008
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Deferred tax liabilities	*21*	5,632	4,456	3,894
Obligations under finance leases	*19*	218	–	–
Net assets		38,441	43,758	49,455
EQUITY				
Share capital	*22*	5,000	5,000	5,000
Reserves		33,441	38,758	44,455
Total equity attributable to equity holders of the Company		38,441	43,758	49,455

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital HK$'000 (Note 22)	Retained profits HK$'000	Exchange reserve HK$'000	Total HK$'000
At 1 July 2005	5,000	12,693	–	17,693
Profit for the year	–	35,748	–	35,748
Interim dividend paid	–	(15,000)	–	(15,000)
At 30 June 2006	5,000	33,441	–	38,441
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	(676)	(676)
Profit for the year	–	5,993	–	5,993
Total recognised income and expense for the year	–	5,993	(676)	5,317
At 30 June 2007	5,000	39,434	(676)	43,758
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	676	676
Profit for the year	–	5,021	–	5,021
Total recognised income and expense for the year	–	5,021	676	5,697
At 30 June 2008	5,000	44,455	–	49,455

CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 30 June		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Operating activities			
Profit before taxation	44,742	4,604	5,373
Depreciation of property, plant and equipment	3,636	3,644	3,140
Change in fair value of derivative financial instruments	(34,346)	1,845	(32,737)
Allowance for doubtful debts	–	6,371	–
Interest income	(1,687)	(2,589)	(2,215)
Finance costs	21,718	35,969	31,751
Operating cash flows before movements in working capital	34,063	49,844	5,312
Increase in inventories	(38,038)	(132,000)	(25,747)
(Increase)/decrease in debtors, other loans and receivables, deposits and prepayments	(102,875)	64,524	54,994
(Increase)/decrease in bills receivable	(648)	648	–
(Increase)/decrease in amounts due from fellow subsidiaries	(143,074)	48,361	(7,751)
Decrease/(increase) in creditors, other advances and accrued charges	48,525	(41,075)	(1,395)
Increase in bills payable	–	29,711	1,591
Increase in amounts due to fellow subsidiaries	–	–	56,397
Decrease/(increase) in derivative financial instruments	31,313	(2,092)	32,774
Cash (used in)/generated from operations	(170,734)	17,921	116,175
Hong Kong profits tax paid	–	(246)	(11,594)
Net cash (used in)/generated from operating activities	(170,734)	17,675	104,581
Investing activities			
Interest received	1,687	2,589	2,215
Purchase of property, plant and equipment	–	(1,094)	–
Decrease/(increase) in pledged deposits	1,601	118	(237)
Net cash generated from investing activities	3,288	1,613	1,978

	Year ended 30 June		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Financing activities			
Interest paid on borrowings	(21,699)	(36,492)	(31,729)
Interest paid on finance leases	(19)	(25)	(22)
Repayment of obligations under finance leases	(203)	(428)	(466)
Increase/(decrease) in amount due to an intermediate holding company	221,705	(172,390)	14,890
(Repayment to)/advance from fellow subsidiaries	(101,632)	51,433	–
New borrowings raised	1,130,275	1,824,870	1,834,109
Repayment of borrowings	(1,022,929)	(1,683,239)	(1,899,194)
Dividends paid	(15,000)	–	–
Net cash generated from/(used in) financing activities	190,498	(16,271)	(82,412)
Net increase in cash and cash equivalents	23,052	3,017	24,147
Effect of foreign exchange rate changes	–	37	676
Cash and cash equivalents at beginning of the year	36,502	59,554	62,608
Cash and cash equivalents at end of the year	59,554	62,608	87,431
Analysis of balances of cash and cash equivalents			
Bank balances and cash	59,554	62,608	87,431

C. NOTES TO THE FINANCIAL INFORMATION

1. ORGANISATION AND OPERATIONS AND BASIS OF PREPARATION

The Company is a private company incorporated in Hong Kong with limited liability. The Group was engaged in manufacture and trading of copper products during the Relevant Periods.

The Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated, which is the functional currency of the Company.

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Financial Information also complies with the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

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

Throughout the Relevant Periods, the Group has applied all of the new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA that are relevant to its operations and effective for the Relevant Periods. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of their initial application.

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKASs 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKFRS 2 (Amendment)	Share-based payment – vesting conditions and cancellation	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – Int 12	Service concession arrangements	1 January 2008
HK(IFRIC) – Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008
HK(IFRIC) – Int 15	Agreements for the construction of real estate	1 January 2009
HK(IFRIC) – Int 16	Hedges of net investment in a foreign operation	1 October 2008

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The Financial Information incorporates the financial statements of the Company and its subsidiary. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

All significant inter-company transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiary to bring it accounting policies into line with the Group.

Revenue recognition

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

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

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

Property, plant and equipment

Property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses.

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

Furniture and fixtures	20% – 30%
Plant and machinery	10%
Motor vehicles	30%

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

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

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and impairment loss is recognised in profit or loss.

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

Inventories

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

Borrowing costs

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

Taxation

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

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

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Leases

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

All other leases are classified as operating leases and the rentals are charged to the consolidated income statements on a straight line basis over the relevant lease terms.

Foreign currencies

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

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

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

Financial instruments

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

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

Financial assets

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

Financial liabilities and equity

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

Borrowings

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

Other financial liabilities

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

Equity instruments

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

Derivatives not qualified for hedging

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

Derecognition

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet dates, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Employees' benefits

Short term benefits

Salaries, annual bonuses, paid annual leaves and other allowances are accrued in each of the Relevant Periods in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

Defined contribution pension obligations

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees. The Group has no further payment obligations once the contributions have been paid.

Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management will reassess the estimations at each balance sheet date.

Impairment of trade debtors

The Group's management determines the allowance for impairment of trade debtors. This estimate is based on the credit history of its customers and the current market condition. Management will reassess the allowance at each balance sheet date.

5. FINANCIAL RISK MANAGEMENT

a. Financial risk management objectives and policies

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

Foreign currency risk

Most of the Group's assets and liabilities are denominated in Hong Kong dollars and United States dollars, which are the functional currencies of respective group companies. There is also no significant exposure arising from exchange forward contracts. The Group does not expect any significant exposure to foreign currency risks.

Credit risk

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

The Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in Note 15.

Interest rate risk

Cash flow interest rate risk is the risk that the cash flows of the financial instruments will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of the financial instruments will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk which relates primarily to the Group's floating-rate bank borrowings and the details of borrowings are disclosed in Note 20. Management closely monitors cash flow interest rate risk and will consider hedging significant interest rate exposure should the need arise.

The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 20.

At 30 June 2006, 2007 and 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after taxation and retained profits by HK$3,537,000, HK$5,071,000 and HK$4,328,000 respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis throughout the Relevant Periods.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay.

	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2008				
Borrowings	432,759	439,239	439,239	–
Amounts due to fellow subsidiaries and holding companies	215,233	215,233	215,233	–
Creditors, other advances and accrued charges and bills payable	44,347	44,347	44,347	–
	692,339	698,819	698,819	–
Derivative financial liabilities	372	372	372	–

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
2007				
Borrowings	497,844	507,128	507,128	–
Obligations under finance leases	466	488	488	–
Amounts due to fellow subsidiaries and holding companies	143,963	143,963	143,963	–
Creditors, other advances and accrued charges and bills payable	44,150	44,150	44,150	–
	686,423	695,729	695,729	–
Derivative financial liabilities	1,362	1,362	1,362	–
2006				
Borrowings	353,700	354,060	354,060	–
Obligations under finance leases	429	445	222	223
Creditors, other advances and accrued charges and bills payable	55,910	55,910	55,910	–
Amounts due to fellow subsidiaries and holding companies	264,916	264,916	264,916	–
	674,955	675,331	675,108	223
Derivative financial liabilities	1,478	1,478	1,478	–

Copper price risk

The Group is exposed to price risk of copper rods, which are the major raw materials for the production process. To mitigate the copper price risk, the Group has entered into copper future contracts to hedge against the fluctuations of copper price. Details of the copper future contracts outstanding at balance sheet date are set out in Note 16.

At 30 June 2006, 2007 and 2008, it is estimated that a general increase/decrease of 10% in copper future contract price, with all other variables held constant, would decrease/increase the Group's profit after taxation and retained profits by HK$3,850,000, HK$3,714,000 and HK$4,976,000 respectively.

The sensitivity analysis above has been determined assuming that the change in copper future contract price had occurred at the balance sheet date and had been applied to the exposure to copper future contract price risk for both derivative and non-derivative financial instruments in existence at that date. The 10% increase or decrease represents management's assessment of a reasonably possible change in copper future contract price over the period until the next annual balance sheet date. The analysis is performed on the same basis throughout the Relevant Periods.

b. Fair value

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

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

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their corresponding fair values.

6. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the Relevant Periods.

Segmental Information

The Group is principally engaged in a single business segment of manufacture and trade of copper products. The Group's turnover and operating results are earned within the and all operating assets of the Group are located in the PRC. Therefore, no business segment or geographical segment information is presented.

7. PROFIT BEFORE TAXATION

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation has been arrived at after charging/(crediting):			
Auditors' remuneration	419	479	1,039
Depreciation of property, plant and equipment			
– Owned assets	3,438	3,100	3,140
– Assets held under finance leases	198	544	–
	3,636	3,644	3,140
Cost of inventories *(Note)*	1,107,682	1,557,252	1,812,054
Exchange (gains)/losses, net	(1,115)	6,215	9,274
Operating lease rentals in respect of rented premises	180	180	180
Wages, salaries and pension contributions including directors' remuneration *(Note 8)*	1,661	4,952	4,086

Note: Cost of inventories includes HK$3,410,000, HK$3,077,000 and HK$2,721,000 for the years ended 30 June 2006, 2007 and 2008 relating to depreciation of property, plant and equipment.

8. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

(a) Directors' remuneration

	Salaries, allowances and other benefits	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 30 June 2006			
Mr. Chau Lai Him	135	–	135
Mr. Lau Man Tak	–	–	–
Total	135	–	135
Year ended 30 June 2007			
Mr. Chau Lai Him	2,427	9	2,436
Mr. Chow Kin Ming	593	4	597
Total	3,020	13	3,033
Year ended 30 June 2008			
Mr. Chau Lai Him	195	9	204
Mr. Chan Sio Keong (appointed on 28 September 2007)	585	10	595
Mr. Chow Kin Ming (resigned on 28 September 2007)	576	4	580
Total	1,356	23	1,379

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(b) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group during the Relevant Periods include two directors for each of the year ended 30 June 2007 and 2008 (2006: Nil) whose remunerations were reflected in the analysis presented above. The remuneration payable to the remaining highest paid individuals are as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Salaries	988	1,021	1,282
Contributions to retirement benefit schemes	47	35	33
	1,035	1,056	1,315

Their emoluments fell within the following band:

	Number of individuals		
	2006	*2007*	*2008*
HK$Nil – HK$1,000,000	5	3	3

There was no arrangement under which the above non-director, highest paid employees waived or agreed to waive any remuneration during the Relevant Periods.

9. FINANCE COSTS

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank borrowings and other loans wholly repayable within five years	21,699	35,945	31,729
Interest on finance leases	19	24	22
	21,718	35,969	31,751

10. TAXATION

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong profits tax			
Current year	5,000	450	914
Under/(over)-provision in respect of prior years	286	(663)	–
	5,286	(213)	914
Deferred taxation *(Note 21)*	3,708	(1,176)	(562)
	8,994	(1,389)	352

Hong Kong profits tax is calculated at 16.5%, 17.5% and 17.5% of the estimated assessable profit arising in Hong Kong during the years ended 30 June 2008, 2007 and 2006 respectively.

The tax for the Relevant Periods can be reconciled to the profit before taxation per the consolidated income statements as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	44,742	4,604	5,373
Tax calculated at Hong Kong profits tax rate of 16.5% (2007: 17.5%; 2006: 17.5%)	7,830	806	886
Tax effect of expenses not deductible for tax purpose	1,423	–	–
Tax effect of income not taxable for tax purpose	(550)	(1,628)	(280)
Under/(over) provision of profits tax in respect of prior years	286	(663)	–
Effect of change in tax rate	–	–	(254)
Others	5	96	–
Tax charge/(credit) for the year	8,994	(1,389)	352

11. DIVIDEND

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Interim dividend	15,000	–	–
Interim dividend per share (HK Dollar)	3	–	–

The directors do not recommend the payment of a final dividend for the years ended 30 June 2006, 2007 and 2008.

12. EARNINGS PER SHARE

The calculation of basic earnings per share amount is based on the profit for the Relevant Periods attributable to equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during each of the Relevant Periods. No diluted earnings per share is presented for each of the Relevant Periods as no diluting event existed during the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures *HK$'000*	Plant and machinery *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost				
At 1 July 2005 and 30 June 2006	486	39,205	856	40,547
Additions	–	–	1,558	1,558
At 30 June 2007 and 30 June 2008	486	39,205	2,414	42,105
Accumulated depreciation				
At 1 July 2005	338	4,226	143	4,707
Provided for the year	28	3,410	198	3,636
At 30 June 2006	366	7,636	341	8,343
Provided for the year	23	3,077	544	3,644
At 30 June 2007	389	10,713	885	11,987
Provided for the year	18	2,721	401	3,140
At 30 June 2008	407	13,434	1,286	15,127
Net carrying amount				
At 30 June 2008	79	25,771	1,128	26,978
At 30 June 2007	97	28,492	1,529	30,118
At 30 June 2006	120	31,569	515	32,204

The net carrying amount of property, plant and equipment of the Group as at 30 June 2006, 2007 and 2008 includes motor vehicles held under finance leases of HK$515,000, HK$1,529,000 and HK$Nil respectively. None of the leases includes contingent rentals.

14. INVENTORIES

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	59,668	256,658	256,297
Finished goods	102,775	39,303	65,411
	162,443	295,961	321,708

15. DEBTORS, OTHER RECEIVABLES, DEPOSITS, PREPAYMENTS AND TAX RECOVERABLE

Included in the Group's balances were: (i) trade debtors with outsiders of HK$122,558,000, HK$96,925,000 and HK$47,147,000 at 30 June 2006, 2007 and 2008 respectively; and (ii) trade balances with fellow subsidiaries and related companies of HK$57,007,000, HK$50,876,000 and HK$51,478,000 at 30 June 2006, 2007 and 2008 respectively. The Group allows an average credit period of 0 day to 90 days to its trade debtors with outsiders and a credit period of 45 days to its fellow subsidiaries and related companies. The above fellow subsidiaries are subsidiaries of Solartech. Since 22 April 2008, Hua Yi Copper became an associate of Solartech as a result of Hua Yi Copper's issue of its shares as partial settlement for the acquisition of certain subsidiaries, and therefore the above fellow subsidiaries became related companies of the Company on the same date.

(i) The ageing analysis of trade debtors, net of allowance for doubtful debts, based on invoice date, is as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	93,890	97,784	46,510
30 – 60 days	41,594	35,470	24,865
61 – 90 days	23,697	10,714	20,134
Over 90 days	20,384	3,833	7,116
	179,565	147,801	98,625

(ii) The movements in the allowance for doubtful debts during the Relevant Periods, including both specific and collective loss components, are as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
At beginning of year	–	–	6,371
Additional allowance	–	6,371	–
At end of year	–	6,371	6,371

The Group's trade debtors of HK$Nil, HK$6,371,000 and HK$6,371,000 at 30 June 2006, 2007 and 2008 respectively were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that none of the receivables is expected to be recovered. Consequently, specific and full allowances for doubtful debts were recognised for such balances as at the respective balance sheet dates. The Group does not hold any collateral over these balances.

Except for the above, no allowance has been made for estimated irrecoverable amounts from the sale of goods.

(iii) The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	80,249	64,817	49,863
Less than 1 month past due	66,305	68,574	36,358
1 to 3 months past due	30,504	12,744	10,570
More than 3 months past due	2,507	1,666	1,834
	179,565	147,801	98,625

Trade debtors that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to HK$51,688,000, HK$8,993,000 and HK$4,066,000 at 30 June 2006, 2007 and 2008 respectively resulting from the net settlements of derivative financial instruments which were in the closed out positions at the balance sheet dates. The amount has been fully settled subsequent to the respective balance sheet dates.

16. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	2006		**2007**		**2008**	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Copper future contracts	1,212	–	–	(1,362)	18	–
Interest rate swap	–	(803)	468	–	–	–
Foreign exchange forward contracts	309	(675)	1,183	–	607	(372)
	1,521	(1,478)	1,651	(1,362)	625	(372)

Copper future contracts

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

	As at 30 June 2006	2007	2008
Quantities (in tonnes)	625	1,375	1,000
Average price per tonne (US$)	7,210	7,604	8,521
Delivery period	August 2006 to October 2006	July 2007 to September 2007	August 2008 to September 2008
Fair value gain/(loss) of copper future contracts recognised as current assets/(liabilities) (in HK$'000)	1,212	(1,362)	18

Interest rate swap

Notional amount	Maturity	Swap	Fair value (loss)/gain as at 30 June 2006 HK$'000	2007 HK$'000	2008 HK$'000
USD5,000,000	13 September 2009 (Early redeemed on 13 March 2008)	Received USD interest rate at structured rate *(Note)*	(803)	468	–
		Paid USD interest rate at LIBOR minus 0.8%			

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

Foreign exchange forward contracts

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

At 30 June 2008

Notional amount/ settlement interval	Maturity dates	Contracted exchange rates	Fair value gain/(loss) as at 30 June 2008 *HK$'000*	*HK$'000*
US$1,000,000/month or US$3,000,000/month	10 February 2009	HK$7.745/US$1	181	–
US$1,000,000/month or US$2,000,000/month	31 December 2008	HK$7.738/US$1	245	–
US$1,000,000/month or US$3,000,000/month	23 December 2009	HK$7.72/US$1	–	(35)
US$500,000/month or US$1,000,000/month	24 April 2009	HK$7.73/US$1	181	–
US$1,000,000/month or US$3,000,000/month	22 June 2009	HK$7.7499 to HK$7.7399/US$1	–	(337)
			607	(372)

At 30 June 2007

Notional amount/ settlement interval	Maturity dates	Contracted exchange rates	Fair value gain as at 30 June 2007
			HK$'000
US$2,000,000 or US$4,000,000/year	24 January 2008	CNY7.2701 to HK$7.7755/US$1	74
US$1,000,000/month	5 July 2007	HK$7.738/US$1	78
US$1,000,000/month	20 December 2007	HK$7.728/US$1	409
US$1,000,000/month	20 December 2007	HK$7.7499/US$1	232
US$500,000/month	20 October 2007	HK$7.725/US$1	153
US$1,000,000/month	19 September 2007	HK$7.7295/US$1	237
			1,183

At 30 June 2006

Notional amount/ settlement interval	Maturity dates	Contracted exchange rates	Fair value gain/(loss) as at 30 June 2006	
			HK$'000	*HK$'000*
US$500,000/month	15 January 2007	HK$7.73/US$1	36	–
US$300,000/month	25 May 2007	HK$7.73/US$1	–	(62)
US$1,000,000/month	5 December 2006	HK$7.7758/US$1	–	(101)
US$1,000,000/month	5 July 2007	HK$7.738/US$1	–	(305)
US$500,000/month	17 January 2007	HK$7.728/US$1	259	–
US$500,000/month	2 May 2007	HK$7.73/US$1	14	–
US$1,000,000/month	6 March 2007	HK$7.725/US$1	–	(113)
US$1,000,000/month	19 September 2007	HK$7.7295/US$1	–	(94)
			309	(675)

The above derivatives are measured at fair value at each balance sheet date and are with financial institutions. The fair values of copper future contracts are determined based on the quoted market prices and the fair values of interest rate swap and foreign exchange contracts were provided by banks or financial institutions at the balance sheet dates. The change in fair value of derivative financial instruments of HK$34,346,000, HK$(1,845,000) and HK$32,737,000 has been credited/(charged) to the consolidated income statements during the years ended 30 June 2006, 2007 and 2008 respectively.

17. CREDITORS, OTHER ADVANCES, ACCRUED CHARGES AND TAX PAYABLE

Included in the Group's creditors, other advances, accrued charges and tax payable were trade creditors with outsiders of HK$69,000, HK$365,000 and HK$687,000 at 30 June 2006, 2007 and 2008 respectively.

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

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	60	193	310
31 – 60 days	9	172	377
	69	365	687

18. BILLS PAYABLE

Bills payable aged within 90 days as at 30 June 2006 and 180 days as at 30 June 2007 and 2008.

19. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments			Present value of minimum lease payments		
	2006	2007	2008	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:						
Within one year	222	488	–	211	466	–
In the second to fifth year inclusive	223	–	–	218	–	–
	445	488	–	429	466	–
Less: Future finance charges	(16)	(22)	–			
Present value of lease obligations	429	466	–			
Less: Amount due within one year				(211)	(466)	–
Amount due after one year				218	–	–

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 2 to 4 years. For the year ended 30 June 2008, the interest rates underlying all obligations under finance leases were fixed at respective contract dates and the average effective borrowing rate was 3% (2007: 3%; 2006: 4.9%) per annum. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

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

20. BORROWINGS – SECURED

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Bank loans	47,208	14,246	9,314
Trust receipt loans	306,492	483,598	423,445
	353,700	497,844	432,759
Average effective interest rates (per annum)	5% – 8%	6% – 9%	7% – 9%

All the above borrowings are repayable on demand or within one year and carried at floating interest rates.

The Group had available HK$69,999,000, HK$100,256,000 and HK$164,081,000 of undrawn committed borrowing facilities at 30 June 2006, 2007 and 2008 respectively, in respect of which all conditions precedent had been met.

Over 95% of the Group's bank borrowings are denominated in the functional currencies or foreign currency pegged with the functional currencies of the relevant group entities and therefore exposed to minimal foreign exchange rate risk.

Details of the assets pledged for the Group's facilities are set out in Note 24.

21. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised by the Group and their movements are:

	Losses	Accelerated tax depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2005	(4,332)	6,256	1,924
Charge/(credit) to income statement for the year	4,332	(624)	3,708
At 30 June 2006	–	5,632	5,632
Credit to income statement for the year	–	(1,176)	(1,176)
At 30 June 2007	–	4,456	4,456
Credit to income statement for the year and change in tax rate	–	(562)	(562)
At 30 June 2008	–	3,894	3,894

The Group had no significant unprovided deferred tax assets or liabilities at the balance sheet dates.

22. SHARE CAPITAL

	Number of shares			Amount		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	'000	*'000*	*'000*	*HK$'000*	*HK$'000*	*HK$'000*
Authorised:						
Ordinary shares of HK$1 each	10,000	10,000	10,000	10,000	10,000	10,000
Issued and fully paid:						
Ordinary shares of HK$1 each	5,000	5,000	5,000	5,000	5,000	5,000

23. OPERATING LEASE ARRANGEMENTS AND CAPITAL COMMITMENT

At the balance sheet dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases for office premises which fall due as follows:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	180	20	180
In the second to fifth year inclusive	35	–	210
	215	20	390

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

The Group has no capital commitment as at 30 June 2006, 2007 and 2008.

24. PLEDGE OF ASSETS

The Group has pledged the following asset to secure general banking facilities granted to the Group. The carrying values of these assets are analysed as follows:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Bank deposits	12,497	12,379	12,616

In addition, the Group's banking facilities are also secured by the group entities. Details of the pledged assets and corporate guarantees given by Hua Yi Copper, fellow subsidiaries and related companies for the Group's banking facilities are set out in Note 27.

25. BANK BALANCES AND CASH (INCLUDING PLEDGED BALANCES)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy financial institutions with no recent history of default. The carrying amounts of the bank balances and cash approximate their fair values.

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Bank balances and cash were denominated in the following currencies:			
US Dollar	19,511	33,070	59,044
Hong Kong Dollar	52,540	41,917	41,003
Total	72,051	74,987	100,047

26. RETIREMENT BENEFITS SCHEME

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

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

The Group made retirement benefit schemes contributions of HK$62,000, HK$85,000 and HK$99,000 for the years ended 30 June 2006, 2007 and 2008 respectively.

27. RELATED PARTY TRANSACTIONS

Other than those disclosed in Notes 15 and 24, during the Relevant Periods, the Group entered into the following transactions with fellow subsidiaries and related companies:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Sales of goods	131,331	138,487	156,642
Rental expenses of office premises	180	180	180

The above transactions were determined with reference to the terms mutually agreed between the Group and the relevant parties.

(a) The amounts with immediate holding company, intermediate holding companies and fellow subsidiaries are unsecured, interest-free and repayable on demand.

(b) At 30 June 2008, certain bank deposits of a fellow subsidiary and a related company with an aggregate carrying amount of HK$18,000,000 (2007: HK$18,000,000; 2006: HK$Nil) and corporate guarantees given by Hua Yi Copper and Solartech have been pledged against the banking facilities granted to the Group.

The above fellow subsidiary is subsidiary of Solartech. Since 22 April 2008, Hua Yi Copper became an associate of Solartech and therefore the above fellow subsidiary became related company of the Company on the same date.

(c) The key management personnel comprise all directors of the Company whose remuneration is disclosed in Note 8.

28. SHARE OPTION SCHEME OF HUA YI COPPER

The share option scheme was adopted by Hua Yi Copper on 4 December 2003, which replaced its old share options scheme adopted in 1996. Under the share option scheme, the directors may, at their discretion, grant full-time employees and executive directors of Hua Yi Copper and its subsidiaries the right to take up options to subscribe for shares in Hua Yi Copper. Additionally, Hua Yi Copper may, from time to time, grant shares options to outside third parties for services provided to Hua Yi Copper. The share subscription price of options is subject to a minimum which is the higher of the nominal value of a share, the closing price of the shares on the Stock Exchange on the date of grant and the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the grant date of the options.

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

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

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

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

The following table discloses movements of share options granted to the employees and directors of the Group pursuant to Hua Yi Copper's share option scheme during the Relevant Periods:

For the year ended 30 June 2008

Capacity	Date of grant	Exercisable period	Vesting period	Exercise Price *HK$*	Outstanding at 01/07/2007	Number of share options Granted during the year	Exercised during the year	Outstanding at 30/06/2008	Exercisable period
Directors and employees	05/11/2007	01/02/2008 to 31/01/2011	05/11/2007 to 31/01/2008 05/11/2007 to 31/01/2009 05/11/2007 to 31/01/2010	0.910	–	5,700,000	–	5,700,000	01/02/2008 to 31/01/2011 01/02/2009 to 31/01/2011 01/02/2010 to 31/01/2011
Employees	09/12/2005	01/01/2006 to 31/12/2008	09/12/2005 to 31/12/2008	0.275	136,000	–	(136,000)	–	01/01/2008 to 31/12/2008

For the year ended 30 June 2007

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Number of share options: Outstanding at 01/07/2006	Lapsed during the year	Outstanding at 30/06/2007	Exercisable period
Employees	09/12/2005	01/01/2006 to 31/12/2008	09/12/2005 to 01/01/2007 09/12/2005 to 01/01/2008	0.275	268,000	(132,000)	136,000	01/01/2007 to 31/12/2007 01/01/2007 to 31/12/2008

For the year ended 30 June 2006

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Number of share options: Outstanding at 01/07/2005	Granted during the year	Lapsed during the year	Outstanding at 30/06/2006	Exercisable period
Employees	01/04/2005	01/04/2005 to 31/03/2008	vesting at date of grant	0.87	700,000	–	(700,000)	–	–
Employees	09/12/2005	01/01/2006 to 31/12/2008	09/12/2005 to 01/01/2006 09/12/2005 to 01/01/2007 09/12/2005 to 01/01/2008	0.275	–	400,000	(132,000)	268,000	01/01/2006 to 31/12/2006 01/01/2007 to 31/12/2007 01/01/2008 to 31/12/2008

29. CAPITAL MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 20, bank balances and cash in Note 25, equity attributable to equity holders of the Company, comprising share capital, retained earnings and exchange reserve as disclosed in the consolidated statements of changes in equity and amounts due to fellow subsidiaries, immediate holding company and an intermediate holding company.

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on the management's recommendations, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or redemption of existing debts.

The adjusted gearing ratio at the balance sheet dates was as follows:

	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*
Debts	353,700	497,844	432,759
Bank balances and cash (including pledged balances)	(72,051)	(74,987)	(100,047)
Net debts	281,649	422,857	332,712
Equity	38,441	43,758	49,455
Amounts due to fellow subsidiaries, immediate holding company and intermediate holding company	264,916	143,963	215,233
Adjusted equity	303,357	187,721	264,688
Adjusted net debts to equity ratio	93%	225%	126%

30. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30 June 2006, 2007 and 2008 may be categorised as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Derivative financial assets at fair value	1,521	1,651	625
Loans and receivables (including bank balances and cash) at amortised cost	529,584	413,056	390,856
Financial liabilities			
Derivative financial liabilities at fair value	1,478	1,362	372
Financial liabilities measured at amortised cost	674,954	686,423	692,339

31. PARTICULARS OF SUBSIDIARY

Particulars of the Company's subsidiary at 30 June 2006, 2007 and 2008 are as follows:

Name of company	Place of registration/ operation	Paid-up issued ordinary share capital	Proportion of nominal value of issued share capital held directly by the Company	Principal activity
Glory Resources Limited	Hong Kong	HK$1	100%	Inactive

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to 30 June 2008 and up to the date of this report. No dividend or other distributions has been declared, made or paid by the Company in respect of any period subsequent to 30 June 2008.

Yours faithfully
For and on behalf of
Shu Lun Pan Horwath Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Chan Kam Wing, Clement
Director
Practising Certificate number P02038

A. ACCOUNTANTS' REPORT

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Shu Lun Pan Horwath Hong Kong CPA Limited.

Shu Lun Pan Horwath Hong Kong CPA Limited
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31 December 2008

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

Dear Sirs,

We set out below our report on the consolidated financial information (the "Financial Information") relating to Modern China Enterprises Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for each of the three years ended 30 June 2006, 2007 and 2008 (the "Relevant Periods"), prepared on the basis set out in Note 1 of Section C below, for inclusion in the circular of Solartech International Holdings Limited ("Solartech") dated 31 December 2008 (the "Circular") in connection with the proposed acquisition of the entire equity interest of the Group (the "Acquisition") by Solartech.

The Company was incorporated in Hong Kong with limited liability on 12 July 2004. The Group is principally engaged in manufacture, trading and recycling of copper products. During the Relevant Periods and up to the date of this report, the Company has three wholly-owned subsidiaries, namely Dongguan Hua Yi Brass Products Co., Ltd. ("Dongguan HY"), Jingjiang Hua Ling Copper Products Co., Ltd. ("Jingjiang HL") and Hua Ling Copper Products Co., Ltd. ("HL Copper"), details of which are set out in Note 31 of Section C below. The Company's principal place of business is at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong. The Company is a wholly-owned subsidiary of Hua Yi Copper Holdings Limited ("Hua Yi Copper"), incorporated in Bermuda as an exempted company with limited liability and its shares being listed on the Hong Kong Stock Exchange Limited (the "Stock Exchange") during the Relevant Periods. The directors of the Company consider Solartech, also incorporated in Bermuda as an exempted company with limited liability and its shares being listed on the Stock Exchange, to be its ultimate holding company before 22 April

2008. Since 22 April 2008, Hua Yi Copper became an associate of Solartech pursuant to Hua Yi Copper's acquisition of subsidiaries by way of issuing its shares as partial settlement of the consideration. On the same date, the Company also became an associate of Solartech and Hua Yi Copper became the ultimate holding company of the Company.

The Company has adopted 30 June as its financial year end and Dongguan HY and Jingjiang HL have adopted 31 December as their financial year end for statutory reporting purposes. No audited financial statements have been prepared for HL Copper since its incorporation because there is no statutory requirement for HL Copper to do so. The statutory financial statements of Dongguan HY and Jingjiang HL prepared in accordance with the accounting principles generally accepted in the Peoples' Republic of China (the "PRC") for each of the Relevant Periods or since the respective date of establishment, where applicable, were audited by 東莞市德正會計師事務所 and 靖江新天地聯合會計師事務所, respectively, which are certified public accountants registered in the PRC.

The directors of the Company and each of its subsidiaries have prepared the individual financial statements (the "HKFRS Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The HKFRS Financial Statements for the two years ended 30 June 2006 and 2007 were audited by Deloitte Touche Tohmatsu and those for the year ended 30 June 2008 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA. For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for each of the Relevant Periods in accordance with HKFRSs (together with the HKFRS Financial Statements, collectively referred to as the "Underlying Financial Statements").

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 June 2008.

The financial information and the notes thereto for the Relevant Periods (the "Financial Information") have been prepared based on the Underlying Financial Statements.

For the purpose of this report, we have carried out additional procedures, as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectus and the reporting accountant" as recommended by the HKICPA.

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors of Solartech are responsible for the contents of the Circular in which this report is included.

It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Group as at 30 June 2006, 2007 and 2008 and of the results and cash flows of the Group for the Relevant Periods.

B. FINANCIAL INFORMATION

The Financial Information of the Group has been prepared on the basis set out in Note 1 of Section C.

CONSOLIDATED INCOME STATEMENTS

		Year ended 30 June		
		2006	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*6*	286,841	763,262	820,201
Cost of sales		(240,275)	(751,624)	(781,183)
Gross profit		46,566	11,638	39,018
Interest income		414	893	1,611
Other income		5,434	409	12,342
General and administrative expenses		(11,564)	(13,465)	(17,642)
Selling and distribution expenses		(1,508)	(3,065)	(2,420)
Change in fair value of derivative financial instruments	*15*	37,158	18,382	–
Finance costs	*9*	(4,264)	(5,966)	(8,596)
Profit before taxation	*7*	72,236	8,826	24,313
Taxation	*10*	(7,801)	(609)	(8,404)
Profit for the year attributable to equity holders of the Company		64,435	8,217	15,909
Dividend	*11*	–	–	–
Earnings per share				
– basic	*12*	64,435	8,217	15,909
– diluted		N/A	N/A	N/A

Note: No extraordinary item or exceptional item was recorded for each of the three years ended 30 June 2008.

CONSOLIDATE BALANCE SHEETS

			As at 30 June	
		2006	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	*13*	60,327	73,051	72,117
Prepaid lease payments for land – non-current portion	*14*	49,446	50,760	59,544
Loans receivable, secured	*16*	–	35,613	–
		109,773	159,424	131,661
Current assets				
Debtors, other receivables, deposits and prepayments	*15*	156,669	147,398	185,339
Loans receivable, secured	*16*	–	–	43,909
Bills receivable	*17*	–	16,901	28,360
Prepaid lease payments for land – current portion	*14*	1,291	1,282	1,521
Amount due from immediate holding company	*27(a)*	53,392	53,392	90,660
Amounts due from fellow subsidiaries	*27(a)*	10,084	10,598	14,376
Amount due from a related company	*27(b)*	–	–	2,275
Pledged deposits	*24, 25*	49,485	60,204	13,652
Bank balances and cash	*25*	34,302	63,165	52,050
		305,223	352,940	432,142
Current liabilities				
Creditors, accrued charges and tax payable	*18*	15,761	16,237	20,573
Bills payable	*19*	62,373	112,245	45,507
Amount due to ultimate holding company	*27(a)*	–	–	89,010
Amount due to intermediate holding company	*27(a)*	75,961	79,837	–
Amounts due to fellow subsidiaries	*27(a)*	62,431	115,113	105,773
Amount due to a related company	*27(b)*	–	–	160
Borrowings, secured	*20*	73,787	42,491	116,791
		290,313	365,923	377,814

		As at 30 June		
		2006	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Net current assets/(liabilities)		14,910	(12,983)	54,328
Total assets less current liabilities		124,683	146,441	185,989
Non-current liabilities				
Deferred tax liabilities	*21*	9,304	11,292	10,633
Net assets		115,379	135,149	175,356
EQUITY				
Share capital	22	1	1	1
Reserves		115,378	135,148	175,355
Total equity attributable to equity holders of the Company		115,379	135,149	175,356

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Exchange reserve	Statutory reserve fund	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2005	1	–	–	45,917	45,918
Exchange differences arising on translation of foreign operations recognised directly in equity	–	5,026	–	–	5,026
Profit for the year	–	–	–	64,435	64,435
Total recognised income and expense for the year	–	5,026	–	64,435	69,461
At 30 June 2006	1	5,026	–	110,352	115,379
Exchange differences arising from translation of foreign operations recognised directly in equity	–	11,553	–	–	11,553
Profit for the year	–	–	–	8,217	8,217
Total recognised income and expense for the year	–	11,553	–	8,217	19,770
At 30 June 2007	1	16,579	–	118,569	135,149
Exchange differences arising on translation of foreign operations recognised directly in equity	–	24,298	–	–	24,298
Profit for the year	–	–	–	15,909	15,909
Total recognised income and expense for the year	–	24,298	–	15,909	40,207
Appropriation	–	–	14,005	(14,005)	–
At 30 June 2008	1	40,877	14,005	120,473	175,356

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

According to articles of association of the Group's subsidiary operating in the People's Republic of China (the "PRC"), the subsidiary is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to its statutory reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividend to equity holders of the PRC subsidiary.

CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 30 June		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Operating activities			
Profit before taxation	72,236	8,826	24,313
Adjustments for:			
Depreciation of property, plant and equipment	4,902	4,882	5,785
Charge of prepaid lease payments for land	1,291	1,283	1,396
Allowance for doubtful debts	–	417	–
Interest income	(414)	(893)	(501)
Finance costs	4,264	5,966	8,596
Operating cash flows before movements in working capital	82,279	20,481	39,589
(Increase)/decrease in debtors, other receivables, deposits and prepayments	(142,584)	8,846	(37,941)
Decrease/(increase) in bills receivable	3,268	(16,901)	(11,459)
Increase in amount due from an immediate holding company	–	–	(37,268)
Decrease/(increase) in amounts due from fellow subsidiaries	25,250	(514)	(3,778)
Increase in amount due from a related company	–	–	(2,275)
Increase/(decrease) in creditors and accrued charges	462	2,656	(5,767)
Increase/(decrease) in bills payable	53,027	49,872	(66,738)
Increase in amount due to ultimate holding company	–	–	89,010
Increase/(decrease) in amount due to intermediate holding company	1,447	3,876	(79,837)
Increase/(decrease) in amounts due to fellow subsidiaries	10,712	52,682	(9,340)
Increase in amount due to a related company	–	–	160
Cash generated from/(used in) operations	33,861	120,998	(125,644)
PRC income tax paid	(4,516)	(1,306)	(752)
Net cash generated from/(used in) operating activities	29,345	119,692	(126,396)
Investing activities			
Interest received	414	893	501
Loans advanced to third parties	–	(35,613)	(8,296)
Purchase of property, plant and equipment	(4,528)	(17,604)	(804)
Proceeds on disposal of property, plant and equipment	–	3,266	3,796
Additions of prepaid lease payments for land	(4,126)	–	(4,260)
(Increase)/decrease in pledged deposits	(49,485)	(10,719)	46,552
Net cash (used in)/generated from investing activities	(57,725)	(59,777)	37,489

	Year ended 30 June		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Financing activities			
Interest paid on bank and other borrowings	(4,264)	(5,966)	(8,596)
New borrowings raised	(29,126)	(77,551)	104,912
Repayment of borrowings	74,876	46,255	(30,612)
Net cash generated from/(used in) financing activities	41,486	(37,262)	65,704
Net increase/(decrease) in cash and cash equivalents	13,106	22,653	(23,203)
Effect of foreign exchange rate changes	938	6,210	12,088
Cash and cash equivalents at beginning of the year	20,258	34,302	63,165
Cash and cash equivalents at end of the year	34,302	63,165	52,050
Analysis of balances of cash and cash equivalents			
Bank balances and cash	34,302	63,165	52,050

C. NOTES TO THE FINANCIAL STATEMENTS

1. ORGANISATION AND OPERATIONS AND BASIS OF PREPARATION

The Company is a private company incorporated in Hong Kong with limited liability. The Group is principally engaged in manufacture and trading of copper products.

The Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated, which is the functional currency of the Company.

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Financial Information also complies with the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

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

Throughout the Relevant Periods, the Group has applied all of the new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA that are relevant to its operations and effective for the Relevant Periods. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of their initial application.

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKASs 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKFRS 2 (Amendment)	Share-based payment – vesting conditions and cancellation	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – Int 12	Service concession arrangements	1 January 2008
HK(IFRIC) – Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008
HK(IFRIC) – Int 15	Agreements for the construction of real estate	1 January 2009
HK(IFRIC) – Int 16	Hedges of net investment in a foreign operation	1 October 2008

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information has been prepared on the historical cost convention.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

All significant inter-company transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring its accounting policies into line with the Group.

Revenue recognition

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

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

(ii) Revenue for providing services is recognised when the services have been rendered.

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

Property, plant and equipment

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

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

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

Equipment, furniture and fixtures	20%
Plant and machinery	10%
Motor vehicles	20%

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment losses. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Prepaid lease payments for land

Prepaid lease payments for land are stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The costs of prepaid lease payments on land use rights are amortised on a straight-line basis over the respective terms of the land use rights.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and impairment loss is recognised in profit or loss.

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

Borrowing costs

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

Taxation

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

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

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Foreign currencies

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

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

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

Financial instruments

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

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

Financial assets

The Group's non-derivative financial assets mainly include loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including debtors, other loans and receivables, bills receivable and bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

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

Borrowings

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

Other financial liabilities

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

Equity instruments

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

Derecognition

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statements.

Employees' benefits

Short term benefits

Salaries, annual bonuses, paid annual leave and other allowances are accrued in each of the Relevant Periods in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

Defined contribution pension obligations

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees. The Group has no further payment obligations once the contributions have been paid.

Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Impairment of trade debtors

The Group's management determines the allowance for impairment of trade debtors. This estimate is based on the credit history of its customers and the current market condition. Management will reassess the allowance at each balance sheet date.

5. FINANCIAL RISK MANAGEMENT

a. Financial risk management objectives and policies

The Group's major financial instruments include debtors, other loans and receivables, pledged deposits, bank balances, creditors, bills payable and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

Most of the Group's assets and liabilities are denominated in Hong Kong dollars and Renminbi, which are the functional currencies of respective group companies. There is also no significant exposure arising from exchange forward contracts. The Group does not expect any significant exposure to foreign currency risks.

Credit risk

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

Except for loans receivable from third parties, the Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in Note 15.

Interest rate risk

Cash flow interest rate risk is the risk that the cash flows of the financial instruments will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of the financial instruments will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk which relates primarily to the Group's floating-rate bank borrowings and the details of borrowings are disclosed in Note 20. Management closely monitors cash flow interest rate risk and will consider hedging significant interest rate exposure should the need arise.

The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 20.

At 30 June 2006, 2007 and 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after taxation and retained profits by HK$738,000, HK$425,000 and HK$1,167,000 respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet dates and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis throughout the Relevant Periods.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet dates of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay.

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	HK$'000	*HK$'000*	*HK$'000*
2008			
Borrowings	116,791	125,627	125,627
Creditors and accrued charges and bills payable	55,824	55,824	55,824
Amounts due to ultimate holding company, fellow subsidiaries and a related company	194,943	194,943	194,943
Total	367,558	376,394	376,394
2007			
Borrowings	42,491	44,075	44,075
Creditors and accrued charges and bills payable	128,329	128,329	128,329
Amounts due to intermediate holding company and fellow subsidiaries	194,950	194,950	194,950
Total	365,770	367,354	367,354
2006			
Borrowings	73,787	74,986	74,986
Creditors and accrued charges and bills payable	75,801	75,801	75,801
Amounts due to intermediate holding company and fellow subsidiaries	138,392	138,392	138,392
Total	287,980	289,179	289,179

b. Fair value

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their corresponding fair values.

6. TURNOVER AND SEGMENTAL INFORMATION

(a) Turnover represents the net invoiced value of goods sold after allowances for returns and trade discounts during the Relevant Periods.

(b) Segmental information

The Group is principally engaged in a single business segment of manufacture, trade and recycling of copper products. The Group's turnover and operating results are earned within the PRC and all operating assets of the Group are located in the PRC. Therefore, no business segment or geographical segment information is presented.

7. PROFIT BEFORE TAXATION

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation has been arrived at after charging:			
Auditor's remuneration	54	48	71
Depreciation of property, plant and equipment	4,902	4,882	5,785
Cost of inventories *(Note)*	240,275	751,624	781,183
Charge of prepaid lease payments for land	1,291	1,283	1,396
Allowance for doubtful debts	–	417	–
Wages, salaries and pension contributions including directors' remuneration *(Note 8)*	3,284	9,496	9,172
and after crediting:			
Exchange losses, net	2,985	282	1,325
Subcontracting fee income	(5,430)	(409)	(5,896)

Note: Cost of inventories includes HK$11,715,000, HK$10,706,000 and HK$11,318,000 for the years ended 30 June 2006, 2007 and 2008 respectively relating to staff costs, depreciation of property, plant and equipment and charge of prepaid lease payments for land, which amounts are also included in the respective total amounts disclosed separately above.

8. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

None of the directors received remuneration in respect of their services rendered to the Group during the Relevant Periods. There was no arrangement under which a director waived or agreed to waived any remunerations during the Relevant Periods.

The remunerations of the five highest paid non-director individuals of the Group were as follow:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Salaries	403	455	577
Contributions to retirement benefit schemes	4	4	5
	407	459	582

Their emoluments fell within the following band:

	Number of individuals		
	2006	*2007*	*2008*
HK$Nil – HK$1,000,000	5	5	5

There was no arrangement under which the above non-director, highest paid employees waived or agreed to waive any remuneration during the Relevant Periods.

9. FINANCE COSTS

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Interest on borrowings wholly repayable within five years	4,264	5,996	8,596

10. TAXATION

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Taxation in the PRC:			
Current year	3,973	1,185	10,246
Overprovision in respect of prior years	–	(2,059)	–
	3,973	(874)	10,246
Deferred taxation *(Note 21)*	3,828	1,483	(1,842)
	7,801	609	8,404

No provision has been made for Hong Kong profits tax as the Group did not earn income subject to Hong Kong profits tax during the Relevant Periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. For the years ended 30 June 2006 and 2007, pursuant to the approvals obtained from the relevant PRC tax authorities, the major subsidiaries in Dongguan, Mainland China, can enjoy tax benefit and are entitled to the PRC enterprise income tax of 24% and local income tax of 3% and therefore subject to the a tax rate of 27% for those two years. For the six months ended 31 December 2007, pursuant to the approvals obtained from the relevant PRC tax authorities, the major subsidiaries in Dongguan, the PRC, enjoy tax benefit and were entitled to the PRC enterprise income tax of 24% and local income tax of 3% and therefore, subject to a total corporate income tax rate of 27%. On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC (the "New Tax Law"), which became effective on 1 January 2008. Further, on 6 December 2007, the State Council released the implementation rules to the New Tax Law. According to the New Tax Law, from 1 January 2008, the standard corporate income tax rate for enterprises in the PRC was reduced from 33% to 25%. Accordingly, the applicable corporate income tax rate was 25% for the six months ended 30 June 2008.

The tax for the Relevant Periods can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	72,236	8,826	24,313
Tax at the PRC domestic income tax rate of 25% (2007: 27%, 2006: 27%)	19,504	2,383	6,078
Tax effect of expenses not deductible for tax purpose	–	47	4,201
Tax effect of income not taxable for tax purpose	(10,379)	(3)	(1,055)
Utilisation of tax losses previously not recognised	(1,324)	–	–
Over provision in respect of prior years	–	(2,059)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions and changes in tax rates	–	–	(820)
Others	–	241	–
Tax charge for the year	7,801	609	8,404

11. DIVIDEND

The directors do not recommend the payment of a final dividend for the years ended 30 June 2006, 2007 and 2008.

12. EARNINGS PER SHARE

The calculation of basic earnings per share amounts is based on the profit for the Relevant Periods attributable to equity holders of the Company for each of the Relevant Periods. The weighted average number of ordinary share used in the calculation is the number of ordinary share in issue during each of the Relevant Periods. No diluted earnings per share is presented for each of the Relevant Periods as no diluting event existed during the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings in the PRC held under medium-term leases	Equipment, furniture and fixtures	Plant and machinery	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 July 2005	–	28,288	3,079	51,614	1,991	84,972
Additions	–	2,573	72	1,883	–	4,528
Currency realignment	–	1,083	119	2,005	73	3,280
At 30 June 2006	–	31,944	3,270	55,502	2,064	92,780
Additions	7,748	3,748	296	5,158	654	17,604
Disposals	–	–	(3,326)	–	–	(3,326)
Reclassification	(2,980)	–	2,980	–	–	–
Currency realignment	97	1,707	166	2,937	114	5,021
At 30 June 2007	4,865	37,399	3,386	63,597	2,832	112,079
Additions	–	323	144	81	256	804
Disposals	–	–	–	(3,796)	–	(3,796)
Reclassification	(3,796)	–	–	3,796	–	–
Currency realignment	323	4,317	398	7,313	330	12,681
At 30 June 2008	1,392	42,039	3,928	70,991	3,418	121,768
Accumulated depreciation						
At 1 July 2005	–	1,257	1,958	22,218	1,135	26,568
Provided for the year	–	1,449	222	3,061	170	4,902
Currency realignment	–	–	76	863	44	983
At 30 June 2006	–	2,706	2,256	26,142	1,349	32,453
Provided for the year	–	1,660	191	2,889	142	4,882
Disposals	–	–	(60)	–	–	(60)
Currency realignment	–	172	118	1,393	70	1,753
At 30 June 2007	–	4,538	2,505	30,424	1,561	39,028
Provided for the year	–	1,977	187	3,331	290	5,785
Currency realignment	–	645	299	3,703	191	4,838
At 30 June 2008	–	7,160	2,991	37,458	2,042	49,651
Net carrying amount						
At 30 June 2008	1,392	34,879	937	33,533	1,376	72,117
At 30 June 2007	4,865	32,861	881	33,173	1,271	73,051
At 30 June 2006	–	29,238	1,014	29,360	715	60,327

The Group has pledged buildings with a net carrying amount as at 30 June 2006, 2007 and 2008 of HK$29,238,000, HK$Nil and HK$34,879,000 respectively to secure banking facilities granted to the Group (Note 24).

14. PREPAID LEASE PAYMENTS FOR LAND

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount:			
At beginning of year	46,111	50,737	52,042
Release to the consolidated income statement *(Note 7)*	(1,291)	(1,283)	(1,396)
Additions	4,126	–	4,260
Exchange realignment	1,791	2,588	6,159
At end of year	50,737	52,042	61,065

The Group's net carrying amount of the prepaid lease payments for land is analysed as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Leasehold land under medium-term lease in the PRC	50,737	52,042	61,065
Analysed for reporting purposes as:			
Non-current	49,446	50,760	59,544
Current	1,291	1,282	1,521
	50,737	52,042	61,065

The Group has pledged prepaid lease payments for land with a carrying amount as at 30 June 2006, 2007 and 2008 of HK$Nil, HK$Nil and HK$25,761,000 respectively to secure banking facilities granted to the Group (Note 24).

At 30 June 2008, the Group was in the process of obtaining the relevant title documents of certain of its land use rights with a carrying amount of HK$30,832,000 (2007: HK$28,465,000; 2006: HK$27,846,000).

15. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND REPAYMENTS

Included in the debtors, other receivables, deposits and prepayments were: (i) trade debtors with outsiders of HK$31,423,000, HK$32,647,000 and HK$34,777,000 at 30 June 2006, 2007 and 2008 respectively; and (ii) trade balances with fellow subsidiaries and related companies of HK$59,255,000, HK$67,111,000 and HK$119,642,000. The Group allows an average credit period of 0 day to 90 days to its trade debtors with outsiders and a credit period of 45 days to its fellow subsidiaries and related companies. The above fellow subsidiaries are subsidiaries of Solartech. Since 22 April 2008, Hua Yi Copper became an associate of Solartech as a result of Hua Yi Copper's issue of its shares as partial settlement for the acquisition of certain subsidiaries, and therefore the above fellow subsidiaries became related companies of the Company on the same date.

(i) The ageing analysis of trade debtors, net of allowance for doubtful debts, based on invoice date, is as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	27,258	21,277	25,255
31 – 60 days	11,171	10,696	19,736
61 – 90 days	9,399	6,783	7,188
Over 90 days	42,850	61,002	102,240
	90,678	99,758	154,419

(ii) The movements in the allowance for doubtful debts during the Relevant Periods, including both specific and collective loss components, are as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
At beginning of year	–	–	425
Additional allowance	–	417	–
Exchange realignment	–	8	49
At end of year	–	425	474

The Group's trade debtors of HK$Nil, HK$425,000 and HK$474,000 at 30 June 2006, 2007 and 2008 respectively were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that none of the receivables is expected to be recovered. Consequently, specific and full allowances for doubtful debts were recognised for such balances as at the respective balance sheet dates. The Group does not hold any collateral over these balances.

Except for the above, no allowance has been made for estimated irrecoverable amounts from the sale of goods.

(iii) The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	36,027	12,918	23,543
Less than 1 month past due	13,899	27,587	26,588
1 to 3 months past due	14,017	8,207	11,950
More than 3 months past due	26,735	51,046	92,338
	90,678	99,758	154,419

Trade debtors that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Included in debtors, other receivables, deposits and prepayments were amounts due from financial institutions amounting to HK$15,638,000, HK$13,760,000 and HK$10,093,000 at 30 June 2006, 2007 and 2008 respectively resulting from the net settlements of derivative financial instruments which were in the closed out positions at the balance sheet dates. The amount has been fully settled subsequent to the respective balance sheet dates.

The change in fair value of derivative financial instruments of HK$37,158,000, HK$18,382,000 and HK$Nil has been credited to the consolidated income statements during the years ended 30 June 2006, 2007 and 2008 respectively.

16. LOANS RECEIVABLE, SECURED

During the year ended 30 June 2007, a prepayment of amount of HK$31,560,000 for acquisition of property, plant and equipment to an independent third party had been assigned and reclassified as loan to the third party. In addition, the Group has advanced an additional amount of HK$4,053,000 to such party during the year ended 30 June 2007. Net advance of HK$8,296,000 was further made to such party during the year ended 30 June 2008. The aggregate amount of loans receivable at 30 June 2008 amounted to HK$43,909,000 (2007: HK$35,613,000; 2006: HK$Nil), which was interest-bearing at 2.5% per annum and secured by the plant and machinery of the third party. As at 30 June 2007, the balance had no fixed repayment terms. In the opinion of directors of the Company, the amount would not be recoverable within 12 months from 30 June 2007. As at 30 June 2008, the balance is repayable by 30 June 2009. Therefore it was classified as a non-current liability and current liability as at 30 June 2007 and 2008, respectively. Subsequent to 30 June 2008, the loan receivable is repayable on 30 June 2009 pursuant to a loan agreement dated 3 October 2008.

17. BILLS RECEIVABLE

At 30 June 2007 and 2008, bills receivable aged within 180 days.

18. CREDITORS, ACCRUED CHARGES AND TAX PAYABLE

Included in the Group's balances were trade creditors with outsiders of HK$5,174,000, HK$9,732,000 and HK$4,605,000 at 30 June 2006, 2007 and 2008 respectively.

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

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	1,450	6,115	2,119
31 – 60 days	404	724	1,924
61 – 90 days	554	2,401	355
Over 90 days	2,766	492	207
	5,174	9,732	4,605

19. BILLS PAYABLE

Bills payable aged within 90 days as at 30 June 2006 and 180 days as at 30 June 2007 and 2008.

20. BANK BORROWINGS, SECURED

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Bank and trust receipt loans, repayable within one year	73,787	42,491	116,791
Average effective interest rates (per annum)	5% to 8%	6% to 9%	5% to 7%

All the above borrowings are carried at floating interest rates.

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

The Group had available HK$Nil, HK$3,061,224 and HK$Nil of undrawn committed borrowing facilities at 30 June 2006, 2007 and 2008 respectively of which all conditions precedent had been met.

Details of the assets pledged for the Group's facilities are set out in Note 24.

21. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the Relevant Periods:

	Accelerated tax depreciation
	HK$'000
At 1 July 2005	5,476
Charge to income statement for the year *(Note 10)*	3,828
Exchange realignment	–
At 30 June 2006	9,304
Charge to income statement for the year *(Note 10)*	1,483
Exchange realignment	505
At 30 June 2007	11,292
Credited to income statement for the year *(Note 10)*	(964)
Change in tax rates *(Note 10)*	(878)
Exchange realignment	1,183
At 30 June 2008	10,633

The Group had no significant unprovided deferred tax assets or liabilities at the balance sheet dates.

22. SHARE CAPITAL

	Number of shares			**Amount**		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
				HK$'000	*HK$'000*	*HK$'000*
Authorised:						
Ordinary shares of HK$1 each	10,000	10,000	10,000	10	10	10
Issued and fully paid:						
Ordinary share of HK$1 each	1	1	1	1	1	1

23. CAPITAL COMMITMENTS

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:			
Plant and machinery	–	2,089	2,089

24. PLEDGE OF ASSETS

The Group has pledged the following assets to secure general banking facilities granted to the Group at 30 June 2006, 2007 and 2008. The carrying values of these assets are analysed as follows:

		2006	2007	2008
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	*13*	29,238	–	34,879
Prepaid lease payments for land	*14*	–	–	25,761
Bank deposits		49,485	60,204	13,652
		78,723	60,204	74,292

In addition, the Group's banking facilities are also secured by the corporate guarantees of a fellow subsidiary and a related company. Details are set out in Note 27.

25. BANK BALANCES AND CASH (INCLUDING PLEDGED BALANCES)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy financial institutions with no recent history of default. The carrying amounts of the bank balances and cash approximate their fair values.

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Bank balances and cash were denominated in the following currencies:			
US Dollar	3,575	–	–
Renminbi ("RMB")	80,211	123,361	65,695
Hong Kong Dollar	1	8	7
Total	83,787	123,369	65,702

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

26. RETIREMENT BENEFITS SCHEME

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

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

The Group made retirement benefit schemes contributions of HK$320,000, HK$277,000 and HK$410,000 for the years ended 30 June 2006, 2007 and 2008 respectively.

27. RELATED PARTY TRANSACTIONS

Other than those disclosed in Notes 15 and 24, during the Relevant Periods, the Group entered into the following transactions with fellow subsidiaries and related companies:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Sales of goods	75,967	100,039	76,528

The above transaction was determined with reference to the terms mutually agreed between the Group and the relevant parties.

(a) The amounts with ultimate holding company, intermediate holding company, immediate holding company and fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(b) The amounts with related companies are unsecured, interest free and have no fixed terms of repayment. The balance as at 30 June 2008 represented the maximum amount due from a related company, which is a subsidiary of Solartech.

(c) At 30 June 2008, certain property, plant and equipment of the fellow subsidiary and related company with aggregate carrying amount of HK$Nil (2007: HK$45,919,000; 2006: HK$41,874,000) and corporate guarantees given by a fellow subsidiary and a related company have been pledged against the banking facilities granted to the Group.

The above fellow subsidiary is subsidiary of Solartech. Since 22 April 2008, Hua Yi Copper became an associate of Solartech and therefore the above fellow subsidiary became related company of the Company on the same date.

(d) The key management of the Group comprises all directors of the Company whose remuneration is disclosed in Note 8.

28. SHARE OPTION SCHEME OF HUA YI COPPER

The share option scheme was adopted by Hua Yi Copper on 4 December 2003, which replaced its old share options scheme adopted in 1996. Under the share option scheme, the directors may, at their discretion, grant full-time employees and executive directors of Hua Yi Copper and its subsidiaries the right to take up options to subscribe for share in Hua Yi Copper. Additionally, Hua Yi Copper may, from time to time, grant shares options to outside third parties for services provided to Hua Yi Copper. The share subscription price of options is subject to a minimum which is the higher of the nominal value of a share, the closing price of the shares on the Stock Exchange on the date of grant and the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the grant date of the options.

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

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

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

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

The following table discloses movements of share options granted to the employees and directors of the Company pursuant to Hua Yi Copper's share option scheme.

For the year ended 30 June 2008

					Number of share options				
Capacity	Date of grant	Exercisable period	Vesting period	Exercise Price *HK$*	Outstanding at 01/07/2007	Granted during the year	Exercised during the year	Outstanding at 30/06/2008	Exercisable period
Directors	05/11/2007	01/02/2008 to 31/01/2011	05/11/2007 to 31/01/2008	0.910	–	1,500,000	–	1,500,000	01/02/2008 to 31/01/2011
			05/11/2007 to 31/01/2009						01/02/2009 to 31/01/2011
			05/11/2007 to 31/01/2010						01/02/2010 to 31/01/2011

No share option was granted during the years ended 30 June 2006 and 2007.

29. CAPITAL MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 20, bank balances and cash in Note 25, equity attributable to equity holders of the Company, comprising share capital, retained earnings and reserves as disclosed in the consolidated statements of changes in equity and amounts due to fellow subsidiaries, holding companies and a related company.

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on the management's recommendations, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or redemption of existing debts.

The adjusted gearing ratio at the balance sheet dates was as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Debts	73,787	42,491	116,791
Bank balances and cash (including pledged balances)	(83,787)	(123,369)	(65,702)
Net debts	N/A	N/A	51,089
Equity	115,379	135,149	175,356
Amounts due to fellow subsidiaries, holding companies and a related company	138,392	194,950	194,943
	253,771	330,099	370,299
Adjusted net debt to equity ratio	N/A	N/A	14%

30. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30 June 2006, 2007 and 2008 may be categorised as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including bank balances and cash) at amortised cost	303,932	387,271	430,621
Financial liabilities			
Financial liabilities measured at amortised cost	287,980	365,770	367,558

31. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries at 30 June 2006, 2007 and 2008 are as follows:

Name of company	Place/date of incorporation or establishment	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Group	Principal activities
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd. #	PRC/28 December 1995	US$14,925,000	100%	Manufacture and trading of copper products
靖江華淩銅業有限公司 Jingjiang Hua Ling Copper Products Co., Ltd. #	PRC/17 March 2006	HK$27,160,000	100%	Recycling of copper products
Hua Ling Copper Products Co., Ltd.	The British Virgin Islands/31 January 2005	HK$8	100%	Investment holding

\# *Wholly-foreign-owned enterprise*

None of the subsidiaries had issued any debt securities at the balance sheet dates.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to 30 June 2008 and up to the date of this report. No dividend or other distributions has been declared, made or paid by the Company in respect of any period subsequent to 30 June 2008.

Yours faithfully
For and on behalf of
Shu Lun Pan Horwath Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Chan Kam Wing, Clement
Director
Practising Certificate number P02038

A. MANAGEMENT DISCUSSION AND ANALYSIS ON HY PRODUCTS GROUP

For the three financial years ended 30 June 2008

LIQUIDITY AND FINANCIAL RESOURCES

The HY Products Group had bank and cash balances (including pledged banks deposits) of approximately HK$72,051,000 as at 30 June 2006, HK$74,987,000 as at 30 June 2007, HK$100,047,000 as at and 30 June 2008. The net assets value of HY Products Group was approximately HK$38,441,000 in 2006, and recorded net liabilities of approximately HK$43,758,000 in 2007 and HK$49,455,000 in 2008. The director of HY Products Group considers that liquidity risk is limited after considering the cash flow of HY Products Group in the foreseeable future.

GEARING RATIO

As at 30 June 2006, the HY Products Group's gearing ratio was approximately 9.20, being a ratio of total bank borrowings of approximately HK$353,700,000 to shareholders' funds of approximately HK$38,441,000.

As at 30 June 2007, the HY Products Group's gearing ratio was approximately 11.38, being a ratio of total bank borrowings of approximately HK$497,844,000 to shareholders' funds of approximately HK$43,758,000.

As at 30 June 2008, the HY Products Group's gearing ratio was approximately 8.75, being a ratio of total bank borrowings of approximately HK$432,759,000 to shareholders' funds of approximately HK$49,455,000.

SIGNIFICANT INVESTMENT

No significant investment held for the year ended 30 June 2006, 30 June 2007 and 30 June 2008.

MATERIAL ACQUISITIONS AND DISPOSALS/FUTURE PLANS FOR MATERIAL INVESTMENTS

There was no material acquisition and disposal of subsidiaries for the year ended 30 June 2006, 30 June 2007 and 30 June 2008. The HY Products Group has no plans for material investments or material acquisitions of capital assets.

FOREIGN EXCHANGE EXPOSURE

Most of the HY Products Group's assets and liabilities are denominated in HK dollars and US dollars which are the functional currencies of respective group companies. The HY Products Group does not expect any significant exposure to foreign currency risks.

SEGMENTAL INFORMATION

The HY Products Group's business is the manufacture of copper rod and copper wire products. The HY Products Group's results, assets and liabilities and capital expenditure are principally attributable to a single geographical region, which is the PRC.

CHARGE ON THE HY PRODUCTS GROUP'S ASSETS

The carrying amounts of motor vehicles held under finance leases were approximately HK$515,000 as at 30 June 2006, HK$1,529,000 as at 30 June 2007 and nil as at 30 June 2008 and such finance leases were secured by the lessor's charge over the leased assets.

The general banking facilities to the HY Products Group, as at 30 June 2006, 30 June 2007 and 30 June 2008, were secured by pledge of the HY Products Group's bank deposits of approximately HK$12,497,000, HK$12,379,000 and HK$12,616,000 respectively.

CONTINGENT LIABILITY

The HY Copper Group did not have any significant contingent liabilities as at 30 June 2006, 30 June 2007 and 30 June 2008.

EMPLOYEES

As at each of 30 June 2006 and 2007, the HY Products Group had 7 employees respectively and as at 30 June 2008, the HY Products Group had 10 employees. The staff salaries and allowances were approximately HK$1,661,000 for the year ended 30 June 2006, HK$4,952,000 for the year ended 30 June 2007 and HK$4,086,000 for the year ended 30 June 2008.

B. MANAGEMENT DISCUSSION AND ANALYSIS ON MODERN CHINA GROUP

For the three financial years ended 30 June 2008

LIQUIDITY AND FINANCIAL RESOURCES

The Modern China Group had bank and cash balances (including pledged bank deposits) amounting to approximately HK$83,787,000 as at 30 June 2006, HK$123,369,000 as at 30 June 2007 and HK$65,702,000 as at 30 June 2008. The net assets value of the Modern China Group was approximately HK$115,379,000 in 2006, HK$135,149,000 in 2007 and HK$175,356,000 in 2008.

GEARING RATIO

As at 30 June 2006, the Modern China Group's gearing ratio was approximately 0.64, being a ratio of total bank borrowings of approximately HK$73,787,000 to shareholders' funds of approximately HK$115,378,000.

As at 30 June 2007, the Modern China Group's gearing ratio was approximately 0.31, being a ratio of total bank borrowings of approximately HK$42,491,000 to shareholders' funds of approximately HK$135,148,000.

As at 30 June 2008, the Modern China Group's gearing ratio was approximately 0.67, being a ratio of total bank borrowings of approximately HK$116,791,000 to shareholders' funds of approximately HK$175,356,000.

SIGNIFICANT INVESTMENT

No significant investment held for the year ended 30 June 2006, 30 June 2007 and 30 June 2008.

MATERIAL ACQUISITIONS AND DISPOSALS/FUTURE PLANS FOR MATERIAL INVESTMENTS

There was no material acquisition and disposal of subsidiaries and associated companies for the year ended 30 June 2006, 30 June 2007 and 30 June 2008. Modern China Group has no plans for material investments or material acquisitions of capital assets.

FOREIGN EXCHANGE EXPOSURE

Most of the Modern China Group's assets and liabilities are denominated in HK dollars and Renminbi which are the functional currencies of respective group companies. Modern China Group does not expect any significant exposure to foreign currency risks.

SEGMENTAL INFORMATION

The Modern China Group's business is the manufacture of copper rod and copper wire products. Modern China Group's results, assets and liabilities and capital expenditure are principally attributable to a single geographical region, which is the PRC.

CHARGE ON THE MODERN CHINA GROUP'S ASSETS

The Modern China Group has pledged the following assets to secure general banking facilities granted to the Modern China Group at 30 June 2006, 2007 and 2008. The carrying values of these assets are analysed as follows:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	29,238	–	34,879
Prepaid lease payments for land	–	–	25,761
Bank deposits	49,485	60,204	13,652
	78,723	60,204	74,292

CONTINGENT LIABILITY

The Modern China Group did not have any significant contingent liabilities as at 30 June 2006, 30 June 2007 and 30 June 2008.

EMPLOYEES

As at each of 30 June 2006, 2007 and 2008, the Modern China Group had 462, 381 and 359 employees respectively. The staff salaries and allowances were approximately HK$3,284,000 for the year ended 30 June 2006, HK$9,496,000 for the year ended 30 June 2007 and HK$9,172,000 for the year ended 30 June 2008.

The following management discussion and analysis of the Solartech Remaining Group refers to the unaudited pro forma financial information on the Solartech Remaining Group as set out in Appendix X to this circular for the purposes of illustrating the effect of the proposed Asset Swap, Hua Yi Placing Shares and proposed Solartech Open Offer Shares as if it took place on 30 June 2008 for the unaudited pro forma consolidated balance sheet, and on 1 July 2008 for the unaudited pro forma consolidated income statement and the cash flow statement respectively.

Upon Completion, the Modern China Group and the HY Products Group will become wholly-owned subsidiaries of Solartech and the financial results of the Modern China Group and the HY Products Group will be consolidated into the Solartech Group's consolidated accounts.

LIQUIDITY AND FINANCIAL RESOURCES

The Solartech Remaining Group generally finances its operations with internally generated cash flows. As at 30 June 2008, the Solartech Remaining Group had bank and cash balances (including pledged bank deposits) of approximately HK$162,860,000 and net current assets value being over approximately HK$279,905,000. As at 30 June 2008, total bank borrowings amounted to HK$654,943,000 and a majority of such borrowings was raised to finance of the Solartech Remaining Group's business operations.

GEARING RATIO

The Solartech Remaining Group's gearing ratio as at 30 June 2008 was 0.63, being a ratio of total bank borrowings of approximately HK$654,943,000 to total equity of approximately HK$1,037,629,000.

SIGNIFICANT INVESTMENT

Please refer to Appendix III for the detailed information.

MATERIAL ACQUISITIONS AND DISPOSALS

Please refer to Appendix III for the detailed information.

FOREIGN EXCHANGE EXPOSURE

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

SEGMENTAL INFORMATION

The Solartech Remaining Group is currently organised into three principal operating divisions – manufacture and trading of cables and wires, connectors and terminals, copper rods and others. At as 30 June 2008, the total turnover of external sales of cables and wires, connectors and terminals, copper rods and others were approximately HK$579,934,000, HK$711,919,000 and HK$2,560,411,000 and HK$124,560,000 respectively.

The Solartech Remaining Group's operations are located in Hong Kong, the PRC, the Americas, Europe and other Asian regions. By geographical market, turnover from Hong Kong representing 2%, the PRC 74%, the Americas 19%, Europe 1% and other Asian regions 4% of the total turnover of approximately HK$3,976,824,000.

CHARGE ON GROUP'S ASSETS

As at 30 June 2008, the Solartech Remaining Group has pledged the following assets to secure general banking facilities granted to it. The carrying values of these assets are analysed as follows:

	As at 30 June 2008 *HK$'000*
Property, plant and equipment	120,553
Prepaid lease payments for land	52,706
Fixed Bank deposits	67,700
Trade debtors	25,869
	266,828

CONTINGENT LIABILITY

As at 30 June 2008, the Solartech Remaining Group did not have any significant contingent liabilities.

MATERIAL ADVERSE CHANGE

Save as disclosed under the paragraph headed "material change" in appendix II to this circular, the Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial or trading position of the Solartech Remaining Group since 30 June 2008, being the date to which the latest published audited accounts of the Group were made up.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2008, the Solartech Remaining Group had about 5,500 employees in Hong Kong, the PRC and overseas. Total staff costs incurred during the year ended 30 June 2008, including directors' remuneration, was approximately HK$183,938,000 (2007: HK$199,152,000). The Solartech Remaining Group generally remunerates its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Staff benefits include medical schemes, the Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in PRC.

FUTURE PROSPECTS OF THE SOLARTECH REMAINING GROUP

Solartech considers that after the re-grouping of businesses by geographical location as described above, each of them will potentially benefit from enhancement in operational efficiency through consolidation under same management of production facilities located in close proximity of each other, including the benefits of saving in costs, where the management will have 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 same production base under same group to allow more effective use of external financings. Following Completion, the Solartech Remaining Group will have a vertical integration of its business from the production copper rods and wires to the manufacture of cables and wires.

The Group will continue to consolidate resources and step up cost control so as to strengthen its business foundation. It will also actively grow its clientele and focus on developing more connectors and terminals/wire harness products, in particular, the higher-margin automotive harness. The Group will strive to develop a global business and expand the South American market, thereby ensure better returns for shareholders.

A. ACCOUNTANTS' REPORT

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Shu Lun Pan Horwath Hong Kong CPA Limited.

Horwath

Shu Lun Pan Horwath Hong Kong CPA Limited
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31 December 2008

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

Dear Sirs,

We set out below our report on the consolidated financial information of Solartech Enterprises Limited (the "Company") and its subsidiary (collectively referred to as the "Group") for each of the three years ended 30 June 2006, 2007 and 2008 (the "Relevant Periods"), prepared on the basis set out in Note 1 of Section C below, for inclusion in the circular of Solartech International Holdings Limited ("Solartech") dated 31 December 2008 (the "Circular") in connection with the proposed disposal of (i) the entire equity interest of the Group; and (ii) shareholder's loan of the Group due to the immediate holding company of the Company (the "Disposal") by Solartech to Hua Yi Copper Holdings Limited ("Hua Yi Copper").

The Company was incorporated in Hong Kong with limited liability on 15 January 2003. The Group is principally engaged in manufacture and trading of cable and wire products. During the Relevant Periods and up to the date of this report, the Company has one wholly-owned subsidiary, namely Kunshan Chau's Electrical Company Limited ("Kunshan Chau's"), established in the People's Republic of China (the "PRC") on 17 January 2004. The Company's principal place of business is at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong. The Company is a wholly-owned subsidiary of Solartech, incorporated in Bermuda as an exempted company with limited liability and its shares being listed on the Hong Kong Stock

Exchange Limited (the "Stock Exchange") during the Relevant Periods. The directors of the Company consider Solartech as the ultimate holding company of the Company during the Relevant Periods.

The Company has adopted 30 June as its financial year end and Kunshan Chau's has adopted 31 December as its financial year end for statutory reporting purposes. The statutory financial statements of Kunshan Chau's prepared in accordance with the accounting principles generally accepted in the PRC for the years ended 31 December 2006 and 2007 were audited by 蘇州新大華會計事務所有限公司, respectively, which is a firm of certified public accountants registered in the PRC. As Kunshan Chau's was inactive since incorporation and throughout 2005, no financial statements were prepared for the year ended 31 December 2005.

The directors of the Company and its subsidiary have prepared the individual financial statements (the "HKFRS Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The HKFRS Financial Statements for the two years ended 30 June 2006 and 2007 were audited by Deloitte Touche Tohmatsu and those for the year ended 30 June 2008 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA. For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for each of the Relevant Periods in accordance with HKFRSs (together with the HKFRS Financial Statements, collectively referred to as the "Underlying Financial Statements").

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 June 2008.

The financial information and the notes thereto for the Relevant Periods (the "Financial Information") have been prepared based on the Underlying Financial Statements.

For the purpose of this report, we have carried out additional procedures, as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectus and the reporting accountant" as recommended by the HKICPA.

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors of Solartech are responsible for the contents of the Circular in which this report is included.

It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Group as at 30 June 2006, 2007 and 2008 and of the results and cash flows of the Group for the Relevant Periods.

B. FINANCIAL INFORMATION

The Financial Information of the Group has been prepared on the basis set out in Note 1 of Section C.

Consolidated income statements

		Year ended 30 June		
	NOTES	**2006**	**2007**	**2008**
		HK$'000	*HK$'000*	*HK$'000*
Turnover	*6*	–	28,301	167,166
Cost of sales		–	(28,246)	(160,974)
Gross profit		–	55	6,192
Interest income		15	16	–
Other income		–	257	6,988
General and administrative expenses		(737)	(4,519)	(5,440)
Selling and distribution expenses		–	–	(46)
Finance costs	*9*	–	(382)	(688)
(Loss)/profit before taxation	*7*	(722)	(4,573)	7,006
Taxation	*10*	–	–	–
(Loss)/profit for the year attributable to equity holders of the Company		(722)	(4,573)	7,006
Dividend	*11*	–	–	–
(Loss)/earnings per share (HK Dollars)	*12*			
– Basic		(722)	(4,573)	7,006
– Diluted		N/A	N/A	N/A

Note: No extraordinary item or exceptional item was recorded for each of the three years ended 30 June 2008.

Consolidated balance sheets

		As at 30 June		
	NOTES	**2006**	**2007**	**2008**
		HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	*13*	29,397	119,357	129,773
Prepaid lease payments for land – non-current portion	*14*	3,731	3,838	4,154
		33,128	123,195	133,927
Current assets				
Inventories	*15*	14	5,126	21,503
Debtors, other receivables, deposits and prepayments	*16*	71,786	8,997	35,886
Bills receivable	*17*	–	4,445	1,140
Prepaid lease payments for land – current portion	*14*	79	83	93
Bank balances and cash	*23*	1,970	2,759	1,221
		73,849	21,410	59,843
Current liabilities				
Creditors, other advances and accrued charges	*18*	28	12,561	17,086
Amount due to ultimate holding company	*25(b)*	–	–	49,100
Amounts due to fellow subsidiaries	*25(b)*	100,569	124,913	77,372
Amounts due to related companies	*25(b)*	–	–	25,562
Borrowings, secured	*19*	6,602	10,443	17,065
		107,199	147,917	186,185
Net current liabilities		(33,350)	(126,507)	(126,342)
Net (liabilities)/assets		(222)	(3,312)	7,585
EQUITY				
Share capital	*20*	1	1	1
Reserves		(223)	(3,313)	7,584
Total equity attributable to equity holders of the Company		(222)	(3,312)	7,585

Consolidated statements of changes in equity

	Share capital HK$'000 (Note 20)	(Accumulated losses)/ retained profits HK$'000	Exchange reserve HK$'000 (Note a)	Total HK$'000
At 1 July 2005	1	(14)	(64)	(77)
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	577	577
Loss for the year	–	(722)	–	(722)
Total recognised income and expense for the year	–	(722)	577	(145)
At 30 June 2006	1	(736)	513	(222)
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	1,483	1,483
Loss for the year	–	(4,573)	–	(4,573)
Total recognised income and expense for the year	–	(4,573)	1,483	(3,090)
At 30 June 2007	1	(5,309)	1,996	(3,312)
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	3,891	3,891
Profit for the year	–	7,006	–	7,006
Total recognised income and expense for the year	–	7,006	3,891	10,897
At 30 June 2008	1	1,697	5,887	7,585

Note a: The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Consolidated cash flow statements

	Year ended 30 June		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Operating activities			
(Loss)/profit before taxation	(722)	(4,573)	7,006
Adjustments for:			
Depreciation of property, plant and equipment	–	5,344	9,732
Charge of prepaid lease premium for land	159	82	118
Interest income	(15)	(16)	–
Finance costs	–	382	688
Operating cash flows before movements in working capital	(578)	1,219	17,544
Increase in inventories	(14)	(5,112)	(16,377)
(Increase)/decrease in debtors, other receivables, deposits and prepayments	(62,048)	62,789	(26,889)
(Increase)/decrease in bills receivable	–	(4,445)	3,305
(Decrease)/increase in creditors, other advances and accrued charges	(253)	12,533	4,525
Increase in amount due to ultimate holding company	–	–	49,100
Increase/(decrease) in amounts due to fellow subsidiaries	77,001	24,344	(47,541)
Increase in amounts due to related companies	–	–	25,562
Net cash generated from operating activities	14,108	91,328	9,229
Investing activities			
Interest received	15	16	–
Purchase of property, plant and equipment	(19,438)	(92,732)	(6,627)
Proceeds from disposal of property, plant and equipment	–	697	–
Net cash used in investing activities	(19,423)	(92,019)	(6,627)
Financing activities			
Interest paid on bank borrowings	–	(382)	(688)
New bank loans raised	6,602	10,234	16,065
Repayment of bank loans	–	(6,800)	(10,961)
Net cash generated from financing activities	6,602	3,052	4,416

	Year ended 30 June		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Net increase in cash and cash equivalents	1,287	2,361	7,018
Cash and cash equivalents at beginning of the year	479	1,970	2,759
Effect of foreign exchange rate changes	204	(1,572)	(8,556)
Cash and cash equivalents at end of the year	1,970	2,759	1,221
Analysis of balances of cash and cash equivalents			
Bank balances and cash	1,970	2,759	1,221

C. NOTES TO THE FINANCIAL STATEMENTS

1. ORGANISATION AND OPERATIONS AND BASIS OF PREPARATION

The Company is a private company incorporated in Hong Kong with limited liability. The Group was principally engaged in the manufacture and trading of cables and wires during the Relevant Periods.

The Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated, which is the functional currency of the Company.

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Financial Information also complies with the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

The ultimate holding company of the Company has undertaken that it will provide such financial assistance as is necessary to maintain the Group as a going concern. On the strength of this assurance the Financial Information has been prepared on the going concern basis.

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

Throughout the Relevant Periods, the Group has applied all of the new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA that are relevant to its operations and effective for the Relevant Periods. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of their initial application.

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKASs 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKFRS 2 (Amendment)	Share-based payment – vesting conditions and cancellation	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – Int 12	Service concession arrangements	1 January 2008
HK(IFRIC) – Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) – Int 14	HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008
HK(IFRIC) – Int 15	Agreements for the construction of real estate	1 January 2009
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	1 October 2008

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information has been prepared on the historical cost convention.

Basis of consolidation

The Financial Information incorporate the consolidated financial statements of the Company and its subsidiary. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

All significant inter-company transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Revenue recognition

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

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

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

Borrowing costs

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

Property, plant and equipment

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

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

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

Equipment	20%
Plant and machinery	10% – 20%

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined are carried at cost, less any recognised impairment losses. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Prepaid lease payments for land

Prepaid lease payments for land are stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The costs of prepaid lease payments on land use rights are amortised on a straight-line basis over the respective terms of the land use rights.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and impairment losses are recognised in profit or loss.

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

Inventories

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

Taxation

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

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

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Foreign currencies

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

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

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

Financial instruments

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

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

Financial assets

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

Financial liabilities and equity

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

Borrowings

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

Other financial liabilities

Other financial liabilities including creditors, other advances and accrued charges are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employees' benefits

Short term benefits

Salaries, annual bonuses, paid annual leaves and other allowances are accrued in each of the Relevant Periods in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

Defined contribution pension obligations

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees. The Group has no further payment obligations once the contributions have been paid.

Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management will reassess the estimations at each balance sheet date.

Impairment of trade debtors and other assets

The Group's management determines the allowance for impairment of trade debtors. This estimate is based on the credit history of its customers and the current market condition. Management will reassess the allowance at each balance sheet date.

Depreciation of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis or reducing balance method over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and the estimated residual values, if any, of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

5 FINANCIAL RISK MANAGEMENT

a. Financial risk management objectives and policies

The Group's major financial instruments include debtors, other receivables, deposits, bills receivable, creditors and borrowings. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

Most of the Group's assets and liabilities are denominated in Hong Kong dollars and Renminbi, which are the functional currencies of respective group companies. There is also no significant exposure arising from the outstanding foreign exchange forward contracts. The Group does not expect any significant exposure to foreign currency risks.

Credit risk

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

The Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in Note 16.

Interest rate risk

Cash flow interest rate risk is the risk that the cash flows of the financial instruments will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of the financial instruments will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk which relates primarily to the Group's (floating-rate) bank borrowings and the details of borrowings are disclosed in Note 19. Management closely monitors cash flow interest rate risk and will consider hedging significant interest rate exposure should the need arise.

The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 19.

At June 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after taxation and retained profits by approximately HK$171,000 (2007: increase/decrease the loss of HK$104,000, 2006: increase/decrease the loss of HK$66,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis throughout the Relevant Periods.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet dates of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the balance sheet dates) and the earliest date the Group can be required to pay.

	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**
	HK$'000	*HK$'000*	*HK$'000*
2008			
Borrowings	17,065	18,092	18,092
Creditors, other advances and accrued charges	17,086	17,086	17,086
Amount due to ultimate holding company	49,100	49,100	49,100
Amounts due to fellow subsidiaries	77,372	77,372	77,372
Amounts due to related companies	25,562	25,562	25,562
	186,185	187,212	187,212
2007			
Borrowings	10,443	11,068	11,068
Creditors, other advances and accrued charges	12,561	12,561	12,561
Amounts due to fellow subsidiaries	124,913	124,913	124,913
	147,917	148,542	148,542
2006			
Borrowings	6,602	6,972	6,972
Creditors, other advances and accrued charges	28	28	28
Amounts due to fellow subsidiaries	100,569	100,569	100,569
	107,199	107,569	107,569

b. Fair value

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

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their corresponding fair values.

6. TURNOVER AND SEGMENTAL INFORMATION

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

Segmental information

The Group is principally engaged in a single business segment of manufacture and trading of cable and wires products. The Group's turnover and operating results are earned in the PRC and all operating assets of the Group are located in the PRC. Therefore, no business segment or geographical segment information is presented.

7. (LOSS)/PROFIT BEFORE TAXATION

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
(Loss)/profit before taxation has been arrived at after charging:			
Auditors' remuneration	4	8	–
Depreciation of property, plant and equipment	–	5,344	9,732
Cost of inventories *(Note)*	–	28,246	160,974
Charge of prepaid lease premium for land	159	82	118
Exchange losses, net	208	–	–
Wages, salaries and pension contribution including directors' remuneration *(Note 8)*	–	4,396	11,699
and after crediting:			
Exchange gains, net	–	2,399	6,563
Interest income on bank deposits	15	16	–
Management fee income	–	–	332

Note: For the year ended 30 June 2008, cost of inventories includes HK$18,677,000 (2007: HK$4,966,000, 2006: HK$Nil) relating to staff costs, depreciation of property, plant and equipment and charge of prepaid lease payments for land, which amounts are also included in the respective total amounts disclosed separately above.

8. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

None of the directors received remuneration in respect of their services rendered to the Group during the Relevant Periods. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

The remunerations of the five highest paid non-director individuals of the Group were as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	8	206	273

The emoluments of each individual were all below HK$1,000,000 for the Relevant Periods.

9. FINANCE COSTS

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	–	382	688

10. TAXATION

No provision for Hong Kong profits tax and PRC enterprise income tax have been made as the Group has not derived any estimated assessable profit arising from the Relevant Periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
(Loss)/profit before taxation	(722)	(4,573)	7,006
Tax at the PRC enterprise income tax rate of 25% (2007: 27%, 2006: 27%)	(195)	(1,235)	1,752
Tax effect of expenses not deductible for tax purpose	195	97	1,632
Tax effect of income not taxable for tax purpose	–	(588)	(3,384)
Tax effect of tax losses not recognised	–	1,726	–
Tax for the year	–	–	–

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. For the years ended 30 June 2006 and 2007, pursuant to the approvals obtained from the relevant PRC tax authorities, the major subsidiaries in Dongguan, Mainland China, can enjoy tax benefit and are entitled to the PRC enterprise income tax of 24% and local income tax of 3% and therefore subject to the a tax rate of 27% for those two years. For the six months ended 31 December 2007, pursuant to the approvals obtained from the relevant PRC tax authorities, the major subsidiaries in Dongguan, the PRC, enjoy tax benefit and were entitled to the PRC enterprise income tax of 24% and local income tax of 3% and therefore, subject to a total corporate income tax rate of 27%. On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC (the "New Tax Law"), which became effective on 1 January 2008. Further, on 6 December 2007, the State Council released the implementation rules to the New Tax Law. According to the New Tax Law, from 1 January 2008, the standard corporate income tax rate for enterprises in the PRC was reduced from 33% to 25%. Accordingly the applicable corporate income tax rate was 25% for the six months ended 30 June 2008.

11. DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 30 June 2006, 2007 and 2008.

12. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to equity holders of the Company for each of the Relevant Periods. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during each of the Relevant Periods. No diluted earnings per share are presented for each of the Relevant Periods as no diluting events existed during the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Buildings HK$'000	Equipment HK$'000	Plant and machinery HK$'000	Total HK$'000
COST					
At 1 July 2005	9,541	–	45	–	9,586
Currency realignment	371	–	2	–	373
Additions	19,438	–	–	–	19,438
At 30 June 2006 and 1 July 2006	29,350	–	47	–	29,397
Currency realignment	884	1,048	29	1,417	3,378
Additions	14,278	27,319	1,041	50,094	92,732
Reclassification	(43,624)	24,022	250	19,352	–
Disposals	(697)	–	–	–	(697)
At 30 June 2007 and 1 July 2007	191	52,389	1,367	70,863	124,810
Currency realignment	9	6,305	185	8,254	14,753
Additions	103	4,287	452	1,785	6,627
Reclassification	(303)	303	–	–	–
At 30 June 2008	–	63,284	2,004	80,902	146,190
ACCUMULATED DEPRECIATION					
At 1 July 2005, 30 June 2006 and 1 July 2006	–	–	–	–	–
Currency realignment	–	33	4	72	109
Provided for the year	–	1,610	222	3,512	5,344
At 30 June 2007 and 1 July 2007	–	1,643	226	3,584	5,453
Currency realignment	–	345	93	794	1,232
Provided for the year	–	2,504	1,076	6,152	9,732
At 30 June 2008	–	4,492	1,395	10,530	16,417
NET CARRYING AMOUNT					
At 30 June 2008	–	58,792	609	70,372	129,773
At 30 June 2007	191	50,746	1,141	67,279	119,357
At 30 June 2006	29,350	–	47	–	29,397

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Buildings situated on the PRC land held under – medium term lease	–	50,746	58,792

The Group has pledged buildings and plant and machinery with a net carrying amount at 30 June 2008 of HK$58,306,000 (2007: HK$29,619,000; 2006: HK$Nil) to secure banking facilities granted to the Group and its fellow subsidiaries (Note 22). As at 30 June 2007, the Group also pledged the above buildings and plant and machinery to secure baking facilities granted to a fellow subsidiary.

14. PREPAID LEASE PAYMENTS FOR LAND

		2006	2007	2008
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount:				
At beginning of year		3,969	3,810	3,921
Release to the consolidated income statement	*7*	(159)	(82)	(118)
Exchange realignment		–	193	444
At end of year		3,810	3,921	4,247

The Group's carrying amount of the prepaid lease payments for land is analysed as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Leasehold land situated in the PRC held under – medium term lease	3,810	3,921	4,247
Analysed for reporting purposes as:			
Non-current	3,731	3,838	4,154
Current	79	83	93
	3,810	3,921	4,247

The Group has pledged prepaid lease payments for land with a carrying amount at 30 June 2008 of HK$4,247,000 (2007: HK$3,921,000; 2006: HK$Nil) to secure banking facilities granted to the Group and its fellow subsidiaries (Note 22). As at 30 June 2007, the Group also pledged the above prepaid lease payments to secure baking facilities granted to a fellow subsidiary.

15. INVENTORIES

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	14	826	4,842
Work in progress	–	4,300	9,002
Finished goods	–	–	7,659
	14	5,126	21,503

16. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in the Group's debtors, other receivables, deposits and prepayments were trade debtors of HK$33,655,000 (2007: HK$Nil; 2006: HK$Nil). The Group allows an average credit period of 90 days to its trade customers.

(i) The ageing analysis of trade debtors, based on invoice date, is as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	–	–	33,408
31 – 60 days	–	–	137
61 – 90 days	–	–	110
	–	–	33,655

No allowance for doubtful debts was made for each of the Relevant Periods.

(ii) The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	–	–	33,655

17. BILLS RECEIVABLE

As at 30 June 2006, 2007 and 2008, bills receivable aged within 90 days.

18. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

Included in the Group's creditors, other advances and accrued charges were trade creditors with outsiders of HK$13,716,000 (2007: HK$5,967,000, 2006: HK$28,000).

The ageing analysis of trade creditors is as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	28	2,656	12,906
31 – 60 days	–	2,789	313
61 – 90 days	–	522	35
Over 90 days	–	–	462
	28	5,967	13,716

19. BORROWINGS, SECURED

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Bank loans, repayable within one year	6,602	10,443	17,065

The average effective interest rates of the bank borrowings range from 6.57% to 8.96% (2007: 6.12% to 7.03%; 2006: 5.58%).

The Group's bank borrowings are denominated in the functional currencies of the relevant group entity and therefore exposed to minimal foreign exchange rate risk.

The Group had available HK$11,377,000, HK$Nil and HK$Nil of undrawn committed borrowing facilities at 30 June 2006, 2007 and 2008 respectively of which all conditions precedent had been met.

Details of the assets pledged for the Group's facilities are set out in Note 22.

20. SHARE CAPITAL

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Authorised:			
1,000,000 ordinary shares of HK$1 each	1,000	1,000	1,000
Issued and fully paid:			
1,000 ordinary shares of HK$1 each	1	1	1

21. OPERATING LEASE ARRANGEMENTS AND CAPITAL COMMITMENT

The Group has no operating lease commitment and capital commitment as at 30 June 2006, 2007 and 2008.

22. PLEDGE OF ASSETS

The Group has pledged the following assets to secure general banking facilities granted to the Group and a fellow subsidiary. The carrying amounts of these assets are analysed as follows:

		2006	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Prepaid lease payments for land	*14*	–	3,921	4,247
Property, plant and equipment	*13*	–	29,619	58,306
		–	33,540	62,553

23. BANK BALANCES AND CASH

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy financial institutions with no recent history of default. The carrying amounts of the bank balances and cash approximate their fair values.

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Bank balances and cash were denominated in the following currencies:			
Renminbi ("RMB")	1,960	2,744	1,212
US$	1	7	4
HK$	9	8	5
Total	1,970	2,759	1,221

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

24. RETIREMENT BENEFITS SCHEME

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

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

The Group made retirement benefits schemes contributions of HK$Nil, HK$335,000 and HK$1,460,000 for the years ended 30 June 2006, 2007 and 2008 respectively.

25. RELATED PARTY TRANSACTIONS

(a) Other than those disclosed in Note 22, during the Relevant Periods, the Group entered into the following transactions with fellow subsidiaries and a related company:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Purchases of goods	–	10,668	80,581
Rental expenses of staff quarter	–	–	1,301
Management fee	–	–	3,023

The above transactions were determined with reference to the terms mutually agreed between the Group and the relevant parties.

(b) The amounts due to ultimate holding company, fellow subsidiaries and related companies are unsecured, interest free and have no fixed terms of repayment.

The above fellow subsidiaries are subsidiaries of Hua Yi Copper. Since 22 April 2008, Hua Yi Copper, the then subsidiary of Solartech, became an associate of Solartech pursuant to Hua Yi Copper's acquisition of subsidiaries by way of issuing its shares as partial settlement of the consideration. On the same date, the above fellow subsidiaries became related companies of the Company.

(c) The key management of the Group comprises all directors of the Company and details of their remuneration are disclosed in Note 8.

(d) As at 30 June 2007, certain property, plant and equipment and prepaid lease payments for land of the Group with an aggregate carrying amount of HK$33,540,000 have been pledged against the banking facilities granted to a fellow subsidiary.

26. SHARE OPTION SCHEMES OF SOLARTECH

Solartech's share option scheme was adopted pursuant to a resolution passed on 16 September 2002 (the "Share Option Scheme") for the primary purpose of providing incentives to Solartech's directors and eligible employees, and will expire on 15 September 2012. Under the Share Option Scheme, the board of directors of Solartech may grant options to eligible employees, including directors of the Company and any of its subsidiaries, associates and jointly-controlled entities to subscribe for shares in Solartech. Additionally, Solartech may, from time to time, grant share options to outside third parties with a view to maintain business relationship with such persons.

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

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

The following table discloses movements of share options granted to the employees and director of the Company pursuant to the Share Option Scheme:

For the year ended 30 June 2008

					Number of share options					
Capacity	Date of grant	Exercisable period	Vesting period	Exercised price	Outstanding at 1.7.2007	Granted during the year	Exercise during the year	Lapsed during the year	Outstanding at 30.6.2008	Exercisable period
				HK$	*'000*	*'000*	*'000*	*'000*	*'000*	
Liu Jin Rong	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	–	1,500	–	–	1,500	1 February 2008 to 31 January 2011 1 February 2009 to 31 January 2011 31 January 2011 to 31 January 2011
Employees	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	–	1,500	–	–	1,500	1 February 2008 to 31 January 2011 1 February 2009 to 31 January 2011 31 January 2011 to 31 January 2011
					–	3,000	–	–	3,000	

No share options were granted during the years ended 30 June 2006 and 2007.

27. CAPITAL MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 19, bank balances and cash in Note 23 and equity attributable to equity holders of the Company, comprising share capital, retained profits and exchange reserve as disclosed in the consolidated statements of changes in equity and amounts due to fellow subsidiaries and a related company.

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on the management's recommendations, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or redemption of existing debts.

The adjusted gearing ratio at the balance sheet dates was as follows:

	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*
Debts	6,602	10,443	17,065
Bank balances and cash	(1,970)	(2,759)	(1,221)
Net debts	4,632	7,684	15,844
Equity	222	3,312	7,585
Amounts due to fellow subsidiaries and ultimate holding company	100,569	124,913	126,472
	100,791	128,225	134,057
Adjusted net debt to equity ratio	5%	6%	12%

28. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30 June 2006, 2007 and 2008 may be categorised as follows:

	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*
Financial assets			
Loans and receivables (including cash and bank balances) at amortisd cost	73,756	16,201	38,247
Financial liabilities			
Financial liabilities measured at amortised cost	107,199	147,917	186,185

29. PARTICULAR OF SUBSIDIARY

Particulars of the Company's subsidiary at 30 June 2006, 2007 and 2008 are as follows:

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Company	Principal activities
昆山周氏電業有限公司 Kunshan Chau's Electrical Company Limited	PRC	US$5,000,000	100%	Manufacture and trading of cable and wire products

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to 30 June 2008 and up to the date of this report. No dividend or other distributions has been declared, made or paid by the Company in respect of any period subsequent to 30 June 2008.

Yours faithfully
For and on behalf of
Shu Lun Pan Horwath Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Chan Kam Wing, Clement
Director
Practising Certificate number P02038

A. ACCOUNTANTS' REPORT

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Shu Lun Pan Horwath Hong Kong CPA Limited.

Horwath

Shu Lun Pan Horwath Hong Kong CPA Limited
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31 December 2008

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

Dear Sirs,

We set out below our report on the consolidated financial information of Fund Resources Limited (the "Company") and its subsidiary (collectively referred to as the "Group") for each of the three years ended 30 June 2006, 2007 and 2008 (the "Relevant Periods"), prepared on the basis set out in Note 1 of Section C below, for inclusion in the circular of Solartech International Holdings Limited ("Solartech") dated 31 December 2008 (the "Circular") in connection with the proposed disposal of (i) the entire equity interest of the Group ; and (ii) shareholder's loan of the Group due to the Company's immediate holding company (the "Disposal") by Solartech to Hua Yi Copper Holdings Limited ("Hua Yi Copper").

The Company was incorporated in Hong Kong with limited liability on 16 June 2004. The Group is principally engaged in manufacture and trading of cables and wire products. During the Relevant Periods and up to the date of this report, the Company has one wholly-owned subsidiary, namely Fund Resources Electric Industry Company Limited ("Fund Resources Industry"), established in the People's Republic of China (the "PRC") on 7 November 2005. The Company's principal place of business is at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong. The Company is a wholly-owned subsidiary of Solartech, incorporated in Bermuda as an exempted company with limited liability and its shares being listed on the Hong

Kong Stock Exchange Limited (the "Stock Exchange") during the Relevant Periods. The directors of the Company consider Solartech as the ultimate holding company of the Company during the Relevant Periods.

The Company has adopted 30 June as its financial year end and Fund Resources Industry has adopted 31 December as its financial year end for statutory reporting purposes. The statutory financial statements of Fund Resources Industry prepared in accordance with the accounting principles generally accepted in the PRC for each of the Relevant Periods or since the respective date of establishment, where applicable, were audited by 上杭安永(聯合)會計師事務所, which is certified public accountants registered in the PRC.

The directors of the Company and its subsidiary have prepared the individual financial statements (the "HKFRS Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The HKFRS Financial Statements for the two years ended 30 June 2006 and 2007 were audited by Deloitte Touche Tohmatsu and those for the year ended 30 June 2008 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA. For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for each of the Relevant Periods in accordance with HKFRSs (together with the HKFRS Financial Statements, collectively referred to the "Underlying Financial Statements").

We have not audited any financial statements of the Company, its subsidiary or the Group in respect of any period subsequent to 30 June 2008.

The financial information and the notes thereto for the Relevant Periods (the "Financial Information") have been prepared based on the Underlying Financial Statements.

For the purpose of this report, we have carried out additional procedures, as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectus and the reporting accountant" as recommended by the HKICPA.

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors of Solartech are responsible for the contents of the Circular in which this report is included.

It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Group as at 30 June 2006, 2007 and 2008 and of the results and cash flows of the Group for the Relevant Periods.

B. FINANCIAL INFORMATION

The Financial Information of the Group has been prepared on the basis set out in Note 1 of Section C.

CONSOLIDATED INCOME STATEMENTS

		Year ended 30 June		
		2006	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*6*	583	2,220	5,544
Cost of sales		(778)	(3,161)	(7,025)
Gross loss		(195)	(941)	(1,481)
Interest income		–	10	6
Other income		1	3	1
General and administrative expenses		(1,483)	(1,013)	(2,911)
Selling and distribution expenses		–	(363)	(416)
Finance costs	*9*	–	–	(1,036)
Loss before taxation	*7*	(1,677)	(2,304)	(5,837)
Taxation	*10*	–	–	–
Loss for the year attributable to equity holders of the Company		(1,677)	(2,304)	(5,837)
Dividend	*11*	–	–	–
Loss per share	*12*			
– basic		(1,677)	(2,304)	(5,837)
– diluted		N/A	N/A	N/A

Note: No extraordinary item or exceptional item was recorded for each of the three years ended 30 June 2008.

CONSOLIDATED BALANCE SHEETS

		As at 30 June		
		2006	2007	2008
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	*13*	3,211	36,127	88,988
Prepayments for acquisition of property, plant and equipment	*13*	–	–	14,000
Prepaid lease payments for land – non-current portion	*14*	–	959	1,047
		3,211	37,086	104,035
Current assets				
Inventories	*15*	298	757	6,336
Debtors, other loans and receivables, deposits and prepayments	*16*	767	1,533	7,855
Prepaid lease payments for land – current portion	*14*	–	20	22
Amounts due from fellow subsidiaries	*26(b)*	29,492	16,457	2,305
Bank balances and cash	*24*	5,002	21,555	14,142
		35,559	40,322	30,660
Current liabilities				
Creditors, other advances and accrued charges	*17*	254	490	6,825
Amount due to a related company	*26(b)*	–	–	5,511
Amount due to immediate holding company	*26(b)*	40,071	40,084	76,589
Borrowings, secured	*18*	–	18,367	32,992
		40,325	58,941	121,917
Net current liabilities		(4,766)	(18,619)	(91,257)
Total assets less current liabilities		(1,555)	18,467	12,778
Non-current liabilities				
Borrowings, secured	*18*	–	20,408	17,065
Net liabilities		(1,555)	(1,941)	(4,287)
EQUITY				
Share capital	*19*	1	1	1
Reserves		(1,556)	(1,942)	(4,288)
Equity attributable to equity holders of the Company		(1,555)	(1,941)	(4,287)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Exchange reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 19)		*(Note a)*	
At 1 July 2005	1	(13)	–	(12)
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	134	134
Loss for the year	–	(1,677)	–	(1,677)
Total recognised income and expense for the year	–	(1,677)	134	(1,543)
At 30 June 2006	1	(1,690)	134	(1,555)
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	1,918	1,918
Loss for the year	–	(2,304)	–	(2,304)
Total recognised income and expense for the year	–	(2,304)	1,918	(386)
At 30 June 2007	1	(3,994)	2,052	(1,941)
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	3,491	3,491
Loss for the year	–	(5,837)	–	(5,837)
Total recognised income and expense for the year	–	(5,837)	3,491	(2,346)
At 30 June 2008	1	(9,831)	5,543	(4,287)

Note a: The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 30 June		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Operating activities			
Loss before taxation	(1,677)	(2,304)	(5,837)
Adjustments for:			
Loss on disposal of property, plant and equipment	–	–	676
Depreciation of property, plant and equipment	108	446	1,274
Charge of prepaid lease premium for land	–	–	20
Interest income	–	(10)	(6)
Finance costs	–	–	1,036
Operating cash flows before movements in working capital	(1,569)	(1,868)	(2,837)
Increase in inventories	(298)	(459)	(5,579)
Decrease/(increase) in debtors, other loans and receivables, deposits and prepayments	192	(766)	(6,322)
(Increase)/decrease in amounts due from fellow subsidiaries	(29,506)	13,035	14,152
Increase in creditors, other advances and accrued charges	254	236	6,335
Increase in amount due to a related party	–	–	5,511
Increase in amount due to immediate holding company	40,071	13	36,505
Cash generated from operations	9,144	10,191	47,765
Investing activities			
Interest received	–	10	6
Purchase of property, plant and equipment	(3,319)	(32,543)	(47,809)
Additions of prepaid lease premium for land	(959)	(959)	–
Prepayments for acquisition of property, plant and equipment	–	–	(14,000)
Net cash used in investing activities	(4,278)	(33,492)	(61,803)

	Year ended 30 June		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Financing activities			
Interest paid on borrowings	–	–	(1,036)
New borrowings raised	–	47,500	25,704
Repayment of borrowings	–	(9,500)	(19,277)
Net cash generated from financing activities	–	38,000	5,391
Net increase/(decrease) in cash and cash equivalents	4,866	14,699	(8,647)
Cash and cash equivalents at beginning of the year	2	5,002	21,555
Effect of foreign exchange rate changes	134	1,854	1,234
Cash and cash equivalents at end of the year	5,002	21,555	14,142
Analysis of balances of cash and cash equivalents			
Bank balances and cash	5,002	21,555	14,142

C. NOTES TO THE FINANCIAL STATEMENTS

1. ORGANISATION AND OPERATIONS AND BASIS OF PREPARATION

The Company is a private company incorporated in Hong Kong with limited liability. The Group is principally engaged in the manufacture and trading of cables and wire products during the Relevant Periods.

The Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated, which is the functional currency of the Company.

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Financial Information also complies with the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

The ultimate holding company of the Company has undertaken that it will provide such financial assistance as is necessary to maintain the Group as a going concern. On the strength of this assurance, the Financial Information has been prepared on the going concern basis.

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

Throughout the Relevant Periods, the Group has applied all of the new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA that are relevant to its operations and effective for the Relevant Periods. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of their initial application.

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKASs 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKFRS 2 (Amendment)	Share-based payment – vesting conditions and cancellation	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – Int 12	Service concession arrangements	1 January 2008
HK(IFRIC) – Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) – Int 14	HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008
HK(IFRIC) – Int 15	Agreements for the construction of real estate	1 January 2009
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	1 October 2008

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information has been prepared on the historical cost convention.

Basis of consolidation

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

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

All significant inter-company transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Revenue recognition

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

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

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

Borrowing costs

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

Property, plant and equipment

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

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

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

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

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined are carried at cost, less any recognised impairment losses. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Prepaid lease payments for land

Prepaid lease payments for land are stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The costs of prepaid lease payments on land use rights are amortised on a straight-line basis over the respective terms of the land use rights.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and impairment losses are recognised in profit or loss.

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

Inventories

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

Taxation

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

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

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Foreign currencies

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

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

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

Financial instruments

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

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

Financial assets

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

Financial liabilities and equity

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

Borrowings

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

Other financial liabilities

Other financial liabilities including creditors, other advances and accrued charges are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset/liability and of allocating interest income/expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments through the expected life of the financial asset/liability, or where appropriate, a shorter period.

Equity instruments

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

Derecognition

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employees' benefits

Short term benefits

Salaries, annual bonuses, paid annual leaves and other allowances are accrued in each of the Relevant Periods in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

Defined contribution pension obligations

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees. The Group has no further payment obligations once the contributions have been paid.

Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management will reassess the estimations at each balance sheet date.

Impairment of trade debtors and other assets

The Group's management determines the allowance for impairment of trade debtors. This estimate is based on the credit history of its customers and the current market condition. Management will reassess the allowance at each balance sheet date.

Depreciation of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis or reducing balance method over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and the estimated residual values, if any, of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

5. FINANCIAL RISK MANAGEMENT

a. Financial risk management objectives and policies

The Group's major financial instruments include debtors, other loans and receivables, deposits, creditors and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

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

Credit risk

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

The Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in Note 16.

Interest rate risk

Cash flow interest rate risk is the risk that the cash flows of the financial instruments will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of the financial instruments will fluctuate because of changes in market interest rates. The Group has no cash flow interest rate risk as the borrowings bear fixed interest rates and the details of borrowings are disclosed in Note 18.

The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 18.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet dates of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the balance sheet dates) and the earliest date the Group can be required to pay.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
2008					
Borrowings	50,057	58,477	35,889	6,963	15,625
Amounts due to a related company and immediate holding company	82,100	82,100	82,100	–	–
Creditors, other advances and accrued charges	6,825	6,825	6,825	–	–
	138,982	147,402	124,814	6,963	15,625
2007					
Borrowings	38,775	43,673	19,575	5,773	18,325
Amount due to immediate holding company	40,084	40,084	40,084	–	–
Creditors, other advances and accrued charges	490	490	490	–	–
	79,349	84,247	60,149	5,773	18,325
2006					
Amount due to immediate holding company	40,071	40,071	40,071	–	–
Creditors, other advances and accrued charges	254	254	254	–	–
	40,325	40,325	40,325	–	–

b. Fair value

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

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

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their corresponding fair values.

6. TURNOVER AND SEGMENTAL INFORMATION

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

Segmental Information

The Group is principally engaged in a single business segment of manufacture and trade of cables and wire products. The Group's turnover and operating results are earned within the PRC and all operating assets of the Group are located in the PRC. Therefore, no business segment or geographical segment information is presented.

7. LOSS BEFORE TAXATION

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Loss before taxation has been arrived at after charging:			
Depreciation of property, plant and equipment	108	446	1,274
Cost of inventories *(Note)*	778	3,161	7,025
Charge of prepaid lease premium for land	–	–	20
Operating lease rentals in respect of rented premises	24	26	124
Loss on disposal of property, plant and equipment	–	–	676
Exchange loss, net	83	3	–
Wages, salaries and pension contribution including directors' remuneration *(Note 8)*	1,324	1,614	2,380

Note: Cost of inventories includes HK$533,000, HK$1,220,000 and HK$907,000 for the years ended 30 June 2006, 2007 and 2008 respectively in relating to staff costs and depreciation of property, plant and equipment which amounts are also included in the respective total amounts disclosed separately above.

8. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

None of the directors received remuneration in respect of their services rendered to the Group during the Relevant Periods. There was no arrangement under which a director waived or agreed to waive any remunerations during the Relevant Periods.

The remunerations of the five highest paid non-director individuals of the Group were as follows:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	105	184	294
Contributions to retirement benefit schemes	–	7	3
	105	191	297

The emoluments of each individual were all below HK$1,000,000 for the Relevant Periods.

9. FINANCE COSTS

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Interest on borrowings wholly repayable within five years	–	–	1,036

10. TAXATION

No provision for Hong Kong profits tax and PRC enterprise income tax have been made as the Group has not derived any estimated assessable profit from the Relevant Periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The tax for the Relevant Periods can be reconciled to the loss before taxation per the income statement as follows:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Loss before taxation	(1,677)	(2,304)	(5,837)
Tax at the PRC enterprise income tax rate as at balance sheet date of 25% (2007: 27%; 2006: 27%)	(419)	(622)	(1,459)
Tax effect of expenses not deductible for tax purpose	419	622	141
Tax effect of income not taxable for tax purpose	–	–	(312)
Tax effect of tax losses not recognised	–	–	1,630
Taxation	–	–	–

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. For the years ended 30 June 2006 and 2007, pursuant to the approvals obtained from the relevant PRC tax authorities, the subsidiary in the PRC, can enjoy tax benefit and are entitled to the PRC enterprise income tax of 24% and local income tax of 3% and therefore subject to the a tax rate of 27% for those two years. For the six months ended 31 December 2007, pursuant to the approvals obtained from the relevant PRC tax authorities, Fund Resources Industry in Dongguan, the PRC, enjoys tax benefit and was entitled to the PRC enterprise income tax of 24% and local income tax of 3% and therefore, subject to a total corporate income tax rate of 27%.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC (the "New Tax Law"), which became effective on 1 January 2008. Further, on 6 December 2007, the State Council released the implementation rules to the New Tax Law. According to the New Tax Law, from 1 January 2008, the standard corporate income tax rate for enterprises in the PRC was reduced from 33% to 25%. Accordingly the applicable corporate income tax rate was 25% for the six months ended 30 June 2008.

11. DIVIDEND

The directors do not recommend the payment of a final dividend for the years ended 30 June 2006, 2007 and 2008.

12. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the Relevant Periods attributable to equity holders of the Company. The weighted average number of ordinary share used in the calculation is the number of ordinary share in issue during each of the Relevant Periods. No diluted loss per share is presented for each of the Relevant Periods as no diluting event existed during the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT AND PREPAYMENTS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Leasehold improvements	Equipment, furniture and fixtures	Plant and machinery	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 July 2005	–	–	–	–	–	–
Additions	347	141	522	2,108	201	3,319
At 30 June 2006 and 1 July 2006	347	141	522	2,108	201	3,319
Currency realignment	644	8	45	125	12	834
Additions	30,688	32	885	849	89	32,543
At 30 June 2007 and 1 July 2007	31,679	181	1,452	3,082	302	36,696
Currency realignment	5,312	386	248	1,122	72	7,140
Additions	31,793	6,068	894	8,455	599	47,809
Reclassification	(4,929)	–	482	4,447	–	–
Disposal	–	(190)	(65)	(568)	–	(823)
At 30 June 2008	63,855	6,445	3,011	16,538	973	90,822
ACCUMULATED DEPRECIATION						
At 1 July 2005	–	–	–	–	–	–
Provided for the year	–	5	21	70	12	108
At 30 June 2006 and 1 July 2006	–	5	21	70	12	108
Currency realignment	–	–	4	10	1	15
Provided for the year	–	16	135	262	33	446
At 30 June 2007 and 1 July 2007	–	21	160	342	46	569
Currency realignment	–	19	34	74	11	138
Provided for the year	–	311	230	655	78	1,274
Eliminated on disposals	–	(39)	(13)	(95)	–	(147)
At 30 June 2008	–	312	411	976	135	1,834
NET CARRYING AMOUNT						
At 30 June 2008	63,855	6,133	2,600	15,562	838	88,988
At 30 June 2007	31,679	160	1,292	2,740	256	36,127
At 30 June 2006	347	136	501	2,038	189	3,211

The Group has pledged property, plant and equipment items with a net carrying amount of HK$Nil, HK$Nil and HK$62,343,000 at 30 June 2006, 2007 and 2008 respectively to secure banking facilities granted to the Group (Note 22).

As at 30 June 2008, the prepayment amounts represented prepayments made for acquisition of items of property, plant and equipment, of which most were utilised on the completion of the acquisition subsequent to 30 June 2008.

14. PREPAID LEASE PAYMENTS FOR LAND

		2006	**2007**	**2008**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount:				
At beginning of year		–	–	979
Additions		–	959	–
Release to the consolidated income statement	7	–	–	(20)
Exchange realignments		–	20	110
At end of year		–	979	1,069
Analysed for reporting purposes as:				
Non-current		–	959	1,047
Current		–	20	22
		–	979	1,069

The Group's leasehold land are situated in the PRC held under medium term lease.

The Group has pledged prepaid lease payments for land with a carrying amount of HK$Nil, HK$Nil and HK$1,069,000 at 30 June 2006, 2007 and 2008 respectively to secure banking facilities granted to the Group (Note 22).

15. INVENTORIES

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	298	478	3,383
Work in progress	–	1	476
Finished goods	–	278	2,477
	298	757	6,336

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

Included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK$Nil, HK$634,000 and HK$3,741,000 at 30 June 2006, 2007 and 2008 respectively. The Group allows an average credit period of 90 days to its trade customers.

(i) The ageing analysis of trade debtors based on invoice date, is as follows:

	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*
Within 30 days –	–	89	2,772
31 – 60 days	–	191	150
61 – 90 days	–	150	303
Over 90 days	–	204	516
	–	634	3,741

No allowance for doubtful debts was made for each of the Relevant Periods.

(ii) The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*
Neither past due nor impaired	–	430	3,225
Past due and not impaired	–	204	516
	–	634	3,741

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

17. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

Included in the Group's creditors, other advances and accrued charges were trade creditors of HK$Nil, HK$299,000 and HK$5,745,000 at 30 June 2006, 2007 and 2008 respectively.

The ageing analysis of trade creditors is as follows:

	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*
Within 30 days	–	123	3,673
31 – 60 days	–	32	702
61 – 90 days	–	34	620
Over 90 days	–	110	750
	–	299	5,745

18. BORROWINGS, SECURED

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
The carrying amounts of borrowings repayable:			
Within one year	–	18,367	32,992
More than one year but not exceeding two years	–	5,102	5,688
More than two years but not exceeding five years	–	15,306	11,377
	–	38,775	50,057
Amount due within one year shown under current liabilities	–	(18,367)	(32,992)
Amount due over one year shown under non-current liabilities	–	20,408	17,065
Average effective interest rates (per annum)	N/A	6.12% – 7.03%	6.57% – 8.96%

The Group's borrowings are denominated in the functional currencies of the relevant group entity and therefore exposed to minimal foreign exchange rate risk.

The Group had fully utilised all the committed borrowing facilities at 30 June 2007 and 2008 respectively. There was no borrowing facility at 30 June 2006.

Details of the assets pledged for the Group's facilities are set out in Note 22.

19. SHARE CAPITAL

	Number of shares			Amount		
	2006	2007	2008	2006	2007	2008
				HK$'000	*HK$'000*	*HK$'000*
Authorised:						
10,000 ordinary shares of HK$1 each	10,000	10,000	10,000	10	10	10
Issued and fully paid:						
1 ordinary share of HK$ 1 each	1	1	1	1	1	1

20. CAPITAL COMMITMENTS

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure contracted for but not provided in the Financial Information in respect of acquisition of:			
Leasehold improvements	–	–	31
Equipment, furniture and fixtures	–	2,759	–
	–	2,759	31

21. OPERATING LEASE ARRANGEMENTS

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

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Within one year	–	–	104
In the second to fifth years inclusive	–	–	53
	–	–	157

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

22. PLEDGE OF ASSETS

At balance sheet dates, the general banking facilities granted to the Group were secured by assets of the Group. The carrying values of these assets are analysed as follows:

		2006	2007	2008
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Prepaid lease payments for land	*14*	–	–	1,069
Property, plant and equipment	*13*	–	–	62,343
		–	–	63,412

23. SHARE OPTION SCHEME OF SOLARTECH

Solartech's share option scheme was adopted pursuant to a resolution passed on 16 September 2002 (the "Share Option Scheme") for the primary purpose of providing incentives to Solartech's directors and eligible employees, and will expire on 15 September 2012. Under the Share Option Scheme, the board of directors of Solartech may grant options to eligible employees, including directors, of the Company and any of its subsidiaries, associates and jointly controlled entities to subscribe for shares in Solartech. Additionally, Solartech may, from time to time, grant share options to outside third parties with a view to maintain business relationship with such persons.

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

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

During the Relevant Periods, no option has been granted under the share option scheme to the employee nor director of the Company.

24. BANK BALANCES AND CASH

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy financial institutions with no recent history of default. The carrying amounts of the bank balances and cash approximate their fair values.

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Bank balances and cash were denominated in the following currencies:			
Renminbi ("RMB")	4,252	21,548	14,131
HK$	750	7	11
Total	5,002	21,555	14,142

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

25. RETIREMENT BENEFITS SCHEME

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

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

During the year, the Group made retirement benefits schemes contributions of HK$Nil, HK$16,000 and HK$306,000 for the years ended 30 June 2006, 2007 and 2008 respectively.

26. RELATED PARTY TRANSACTIONS

(a) During the Relevant Periods, the Group entered into the following transactions with fellow subsidiaries and a related company:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Purchases of goods	–	846	1,872

The above transactions were determined with reference to the terms mutually agreed between the Group and the relevant parties.

(b) The amounts with fellow subsidiaries, a related company and immediate holding company are unsecured, interest free and repayable on demand.

The above fellow subsidiaries are subsidiaries of Hua Yi Copper. Since 22 April 2008, Hua Yi Copper, the then subsidiary of Solartech, became an associate of Solartech pursuant to Hua Yi Copper's acquisition of subsidiaries by way of issuing its shares as partial settlement of the consideration. On the same date, the above fellow subsidiaries became related companies of the Company.

(c) The key management of the Group comprises all directors of the Company, details of their remuneration are disclosed in Note 8.

27. CAPITAL MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 18, bank balances and cash in Note 24 and equity attributable to equity holders of the Company, comprising share capital and reserves as disclosed in the consolidated statements of changes in equity and amounts due to a related company and immediate holding company.

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of management, the Group will balance its overall capital structure through new share issues as well as the issue of new debt redemption of existing debts.

The adjusted gearing ratio at the balance sheet dates was as follows:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Debts	–	38,775	50,057
Bank balances and cash	(5,002)	(21,555)	(14,142)
Net debts	N/A	17,220	35,915
Equity	(1,555)	(1,941)	(4,287)
Amounts due to a related company and immediate holding company	40,071	40,084	82,100
	38,516	38,143	77,813
Adjusted net debts to equity ratio	N/A	45%	46%

28. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30 June 2006, 2007 and 2008 may be categorised as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including bank balances and cash) at amortised cost	35,261	39,545	24,302
Financial liabilities			
Financial liabilities measured at amortised cost	40,325	79,349	138,982

29. PARTICULAR OF SUBSIDIARY

Particulars of the Company's subsidiary at 30 June 2006, 2007 and 2008 are as follows:

Name of company	Place of establishment/ operation	Paid-up registered capital	Proportion of nominal value of equity interest held directly by the Company	Principal activities
Fund Resources Electrical Industry Co., Ltd. (上杭建潤電業有限公司)	PRC	HK$40,000,000	100%	Manufacture and trading of cables and wire products

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to 30 June 2008 and up to the date of this report. No dividend or other distributions has been declared, made or paid by the Company in respect of any period subsequent to 30 June 2008.

Yours faithfully
For and on behalf of
Shu Lun Pan Horwath Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Chan Kam Wing, Clement
Director
Practising Certificate number P02038

Horwath

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31 December 2008

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

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Solartech International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company, solely for illustrative purposes, to provide information about how (i) the Group's proposed acquisition of 100% equity interest in Modern China Enterprises Limited and its subsidiaries (the "Modern China Group") and the proposed acquisition of 100% equity interest in Hua Yi Copper Products Company Limited and its subsidiary (the "HY Copper Products Group") from Hua Yi Copper Holdings Limited ("Hua Yi"), and the proposed acquisition of the shareholder's loan of the Hua Yi Copper Products Group due to its immediate holding company; (ii) the Group's proposed disposal of 100% of its equity interest in Solartech Enterprises Limited and its subsidiaries (the "Solartech Enterprises Group") and the proposed disposal of 100% of its equity interest in Fund Resources Limited and its subsidiary (the "Fund Resources Group"), and the proposed disposal of the shareholder's loans of the Solartech Enterprises Group and the Fund Resources Group due to their respective immediate holding companies ((i) and (ii) hereinafter collectively referred to as the "Asset Swap"); (iii) the Company's open offer (the "Solartech Open Offer"); and (iv) the proposed place shares of Hua Yi ("Hua Yi Placing Shares") might have affected the financial information of the Group presented, for inclusion in Appendix X of the circular of the Company dated 31 December 2008 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages X-4 to X-16 to the Circular. The resulting group comprising the Group after the above transactions (i), (ii) and (iii) is referred to as the Resulting Group.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

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

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

BASIS OF OPINION

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

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

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

– the financial position of the Resulting Group as at 30 June 2008 or any future date; or

– the financial results and cash flows of the Resulting Group for the year ended 30 June 2008 or any further periods.

OPINION

In our opinion:

a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

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

c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
For and on behalf of
Shu Lun Pan Horwath Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Chan Kam Wing, Clement
Director
Practising Certificate number P02038

PRO FORMA FINANCIAL INFORMATION OF THE RESULTING GROUP AFTER THE PROPOSED ASSET SWAP AND SOLARTECH OPEN OFFER

(A) INTRODUCTION

The following is the unaudited pro forma financial information of the Resulting Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed Asset Swap, the Solartech Open Offer and the Hua Yi Placing Shares.

The unaudited pro forma consolidated income statement and cash flow statement of the Resulting Group for the year ended 30 June 2008 are prepared based on the audited consolidated income statement and cash flow statement of the Group for the year ended 30 June 2008 and the audited consolidated income statement and cash flow statement of each of the Modern China Group, the HY Copper Products Group, the Solartech Enterprises Group and the Fund Resources Group for the year ended 30 June 2008, as extracted from the Financial Information of the Group set out in Appendix I and the respective accountants' reports set out in Appendices V, IV, VIII and IX to this Circular respectively as if the Asset Swap and, the Solartech Open Offer and the Hua Yi Placing Shares had been completed on 1 July 2007.

The unaudited pro forma consolidated balance sheet of the Resulting Group as at 30 June 2008 is prepared based on the audited consolidated balance sheet of the Group as at 30 June 2008 and the audited consolidated balance sheet of each of the Modern China Group, the HY Copper Products Group, the Solartech Enterprises Group and the Fund Resources Group as at 30 June 2008, as extracted from the Financial Information of the Group set out in Appendix I and the respective accountants' reports set out in Appendices V, IV, VIII and IX to this Circular respectively as if the Asset Swap and the Solartech Open Offer and the Hua Yi Placing Shares had been completed on 30 June 2008.

The Unaudited Pro Forma Financial Information of the Resulting Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information of the Resulting Group, it may not give a true picture of the actual financial position, results of operation and cash flows of the Resulting Group that would have been attained had the Asset Swap and the Solartech Open Offer and the Hua Yi Placing Shares actually occurred on the date indicated therein. Furthermore, the Unaudited Pro Forma Financial Information of the Resulting Group does not purport to predict the Resulting Group's future financial position, results of operation and cash flows.

The Unaudited Pro Forma Financial Information of the Resulting Group should be read in conjunction with the Financial Information of the Group and each of the Modern China Group, the HY Copper Products Group, the Solartech Enterprises Group and the Fund Resources Group as set out in Appendices I, V, IV, VIII and IX to this Circular, respectively, and other financial information included elsewhere in this Circular.

(B) UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE RESULTING GROUP

For the year ended 30 June 2008

		Asset Swap – Acquisition		Asset Swap – Disposal								
	The Group	Modern China Group	HY Copper Products Group	Solatech Enterprises Group	Fund Resources Group	Notes	Pro forma adjustments for the Assets Swap	The Group after the Asset Swap	Notes	Pro forma adjustments for Hua Yi Placing Shares	Pro froma adjustments for the Solartech Open Offer	The Resulting Group comprising the Group after the Asset Swap, Hua Yi Placing Shares and the Solartech Open Offer
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*
Turnover	3,493,526	820,201	1,834,035	(167,166)	(5,544)	(3)	(70,466)	3,976,824				3,976,824
						(4)	(1,927,762)					
Cost of sales	(3,262,528)	(781,183)	(1,812,054)	160,974	7,025	(3)	70,466	(3,730,344)				(3,730,344)
						(4)	1,886,956					
Gross profit/(loss)	230,998	39,018	21,981	(6,192)	1,481			246,480				246,480
Interest income	16,859	1,611	2,215	–	(6)	(4)	(2,998)	17,681				17,681
Other income	32,895	12,342	4	(6,988)	(1)	(3)	(136)	28,896				28,896
						(4)	(9,220)					
General and administrative expenses	(200,841)	(17,642)	(19,812)	5,440	2,911	(3)	136	(193,379)				(193,379)
						(4)	36,429					
Selling and distribution expenses	(41,809)	(2,420)	(1)	46	416	(4)	2,057	(41,711)				(41,711)
Change in fair value of derivative financial instruments	47,830	–	32,737	–	–	(4)	(24,600)	55,967				55,967
Change in fair value of conversion option of convertible notes	7,167	–	–	–	–			7,167				7,167
Reversal of allowance for doubtful debts	598	–	–	–	–			598				598
Finance costs	(56,064)	(8,596)	(31,751)	688	1,036	(4)	33,314	(61,373)				(61,373)
Share of results of associates	284	–	–	–	–	(4)	(8,250)	(7,966)				(7,966)
Share of results of jointly-controlled entity	(625)	–	–	–	–			(625)				(625)
Gain on deemed disposal of a listed subsidiary	11,351	–	–	–	–			11,351				11,351
Loss on deemed disposal of interest in an associate	–	–	–	–	–			–	(7)	(110,671)		(110,671)
Profit/(loss) before taxation	48,643	24,313	5,373	(7,006)	5,837			63,086				(47,585)
Taxation	(24,190)	(8,404)	(352)	–	–	(4)	3,056	(29,890)				(29,890)
Profit/(loss) for the year	24,453	15,909	5,021	(7,006)	5,837			33,196				(77,475)
Profit/(loss) for the year attributable to:												
Equity holders of the Company	19,847	15,909	5,021	(7,006)	5,837	(4)	(9,676)	29,932	(7)	(110,671)		(80,739)
Minority interests	4,606	–	–	–	–	(4)	(1,342)	3,264				3,264
	24,453	15,909	5,021	(7,006)	5,837			33,196				(77,475)

(C) UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE RESULTING GROUP

As at 30 June 2008

		Asset Swap										
		Acquisition		Disposal								
	The Group	Modern China Group	HY Copper Products Group	Solatech Enterprises Group	Fund Resources Group	Notes	Pro forma adjustments for the Assets Swap	The Group after the Asset Swap	Notes	Pro forma adjustments for Hua Yi Placing Shares	Pro froma adjustments for the Solartech Open Offer	The Resulting Group comprising the Group after the Asset Swap, Hua Yi Placing Shares and the Solartech Open Offer
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS												
Property, plant and equipment	565,207	72,117	26,978	(129,773)	(88,988)			445,541				445,541
Prepayment for acquisition of property, plant and equipment	17,443	–	–	–	(14,000)			3,443				3,443
Prepaid lease payments for land – non current portion	46,455	59,544	–	(4,154)	(1,047)			100,798				100,798
Interest in associates	322,417	–	–	–	–			322,417	*(7)*	(110,671)		211,746
Deferred tax assets	6,316	–	–	–	–			6,316				6,316
Goodwill	23,389	–	–	–	–			23,389				23,389
Total non-current assets	981,227	131,661	26,978	(133,927)	(104,035)			901,904				791,233
CURRENT ASSETS												
Inventories	266,765	–	321,708	(21,503)	(6,336)			560,634				560,634
Debtors, other loans and receivables, deposits and prepayments	311,844	185,339	111,932	(35,886)	(7,855)	*(1)*	(17,724)	727,246				727,246
						(2)	179,596					
Loans receivable, secured	–	43,909	–	–	–			43,909				43,909
Bills receivable	24,484	28,360	–	(1,140)	–			51,704				51,704
Tax recoverable	1,396	–	–	–	–			1,396				1,396
Prepaid lease payments for land – current portion	1,189	1,521	–	(93)	(22)			2,595				2,595
Amount due from immediate holding company	–	90,660	–	–	–	*(1)*	(90,660)	–				–
Amounts due from fellow subsidiaries	–	14,376	184,770	–	(2,305)	*(1)*	(199,146)	–				–
						(2)	2,305					
Amount due from related companies	–	2,275	–	–	–	*(2)*	(2,275)	–				–
Derivative financial assets	1,702	–	625	–	–			2,327				2,327
Pledged deposits	36,619	13,652	12,616	–	–			62,887				62,887
Bank balances and cash	85,817	52,050	87,431	(1,221)	(14,142)	*(5)*	(175,157)	34,778	*(8)*		65,195	99,973
Total current assets	729,816	432,142	719,082	(59,843)	(30,660)			1,487,476				1,552,671

	The Group	Asset Swap – Acquisition – Modern China Group	Asset Swap – Acquisition – HY Copper Products Group	Asset Swap – Disposal – Solatech Enterprises Group	Asset Swap – Disposal – Fund Resources Group	Notes	Pro forma adjustments for the Assets Swap	The Group after the Asset Swap	Notes	Pro forma adjustments for Hua Yi Placing Shares	Pro froma adjustments for the Solartech Open Offer	The Resulting Group comprising the Group after the Asset Swap, Hua Yi Placing Shares and the Solartech Open Offer
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*HK$'000*
CURRENT LIABILITIES												
Creditors, other advances and accrued charges	198,563	10,317	12,891	(17,086)	(6,825)			197,860	*(9)*		3,000	200,860
Bills payable	12,613	45,507	31,456	–	–			89,576				89,576
Amount due to ultimate holding company	–	89,010	–	(49,100)	–	*(1)*	(89,010)	–				–
						(2)	49,100					
Amount due to immediate holding company	–	–	88,003	–	(76,589)	*(1)*	(88,003)	–				–
						(2)	76,589					
Amounts due to fellow subsidiaries	–	105,773	127,230	(77,372)	–	*(1)*	(233,003)	–				–
						(2)	77,372					
Amounts due to related companies	–	160	–	(25,562)	(5,511)	*(2)*	31,073	160				160
Amount due to an associate	202,054	–	–	–	–	*(1)*	100,211	296,388				296,388
						(2)	(52,233)					
						(5)	46,356					
Taxation	7,333	10,256	–	–	–			17,589				17,589
Obligation under finance leases	3,707	–	–	–	–			3,707				3,707
Borrowings	155,450	116,791	432,759	(17,065)	(32,992)			654,943				654,943
Derivative financial liabilities	9,171	–	372	–	–			9,543				9,543
Total current liabilities	588,891	377,814	692,711	(186,185)	(121,917)			1,269,766				1,272,766
NET CURRENT ASSETS	140,925	54,328	26,371	126,342	91,257			217,710				279,905
TOTAL ASSETS LESS CURRENT LIABILITIES	1,122,152	185,989	53,349	(7,585)	(12,778)			1,119,614				1,071,138
NON-CURRENT LIABILITIES												
Deferred tax liabilities	5,171	10,633	3,894	–	–			19,698				19,698
Borrowings	17,065	–	–	–	(17,065)			–				–
Obligations under finance leases	3,469	–	–	–	–			3,469				3,469
Deferred consideration payable	10,342	–	–	–	–			10,342				10,342
Total non-current liabilities	36,047	10,633	3,894	–	(17,065)			33,509				33,509
Net assets/(liabilities)	1,086,105	175,356	49,455	(7,585)	4,287			1,086,105				1,037,629

		Asset Swap										
		Acquisition		Disposal								
	The Group	Modern China Group	HY Copper Products Group	Solatech Enterprises Group	Fund Resources Group	Notes	Pro forma adjustments for the Assets Swap	The Group after the Asset Swap	Notes	Pro forma adjustments for Hua Yi Placing Shares	Pro froma adjustments for the Solartech Open Offer	The Resulting Group comprising the Group after the Asset Swap, Hua Yi Placing Shares and the Solartech Open Offer
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*
EQUITY												
Capital and reserves												
Share capital	6,037	1	5,000			*(6)*	(5,001)	6,037	*(8)*		24,146	30,183
Reserves	1,072,570	175,355	44,455			*(6)*	(219,810)	1,072,570	*(7)*	(110,671)		999,948
									(8)		41,049	
									(7)		(3,000)	
Equity attributable to equity holders of the Company	1,078,607	175,356	49,455					1,078,607				1,030,131
Share option reserve of a listed associate	4,795	–	–					4,795				4,795
Minority interest	2,703	–	–					2,703				2,703
Total equity	1,086,105	175,356	49,455					1,086,105				1,037,629

(D) UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE RESULTING GROUP

For the year ended 30 June 2008

	The Group	Asset Swap – Acquisition – Modern China Group	Asset Swap – Acquisition – HY Copper Products Group	Asset Swap – Disposal – Solartech Enterprises Group	Asset Swap – Disposal – Fund Resources Group	Notes	Pro forma adjustments for the Assets Swap	The Group after the Asset Swap	Notes	Pro forma adjustments for Hua Yi Placing Shares	Pro forma adjustments for the Solartech Open Offer	The Resulting Group comprising the Group after the Asset Swap, Hua Yi Placing Shares and the Solartech Open Offer
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*
Operating activities												
Profit/(loss) before taxation	48,643	24,313	5,373	(7,006)	5,837	(4)	(14,074)	63,086	(7)	(110,671)		(47,585)
Adjustments for:												
Equity-settled share-based payments	8,793	-	-	-	-			8,793				8,793
Loss on disposal of property, plant and equipment	1,770	-	-	-	(676)			1,094				1,094
Depreciation of property, plant and equipment	63,424	5,785	3,140	(9,732)	(1,274)			61,343				61,343
Charge of prepaid lease payments for land	2,273	1,396	-	(118)	(20)			3,531				3,531
Change in fair value of derivative financial instruments	(47,830)	-	(32,737)	-	-	(4)	24,600	(55,967)				(55,967)
Change in fair value of conversion of convertible notes	(7,167)	-	-	-	-			(7,167)				(7,167)
Write down of inventories	2,150	-	-	-	-			2,150				2,150
Reversal of allowance for doubtful debts	(598)	-	-	-	-			(598)				(598)
Interest income	(16,859)	(501)	(2,215)	-	6			(19,569)				(19,569)
Finance costs	56,064	8,596	31,751	(688)	(1,036)	(4)	(33,314)	61,373				61,373
Share of results of associates	(284)	-	-	-	-	(4)	8,250	7,966				7,966
Share of results of a jointly-controlled entity	625	-	-	-	-			625				625
Gain on deemed disposal of a listed subsidiary	(11,351)	-	-	-	-			(11,351)				(11,351)
Loss on deemed disposal of interest in an associate	-	-	-	-	-			-	(7)	110,671		110,671

	Asset Swap											
		Acquisition		Disposal								
	The Group	Modern China Group	HY Copper Products Group	Solartech Enterprises Group	Fund Resources Group	Notes	Pro forma adjustments for the Assets Swap	The Group after the Asset Swap	Notes	Pro forma adjustments for Hua Yi Placing Shares	Pro forma adjustments for the Solartech Open Offer	The Resulting Group comprising the Group after the Asset Swap, Hua Yi Placing Shares and the Solartech Open Offer
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*
Operating cash flows before movements in working capital	99,653	39,589	5,312	(17,544)	2,837			115,309				115,309
Decrease/(increase) in inventories	26,407	-	(25,747)	16,377	5,579			22,616				22,616
(Increase)/decrease in debtors, other loans and receivables, deposits and prepayments and tax recoverable	(162,809)	(37,941)	43,400	26,889	6,322	*(4)*	5,824	(118,315)				(118,315)
Decrease/(increase) in bills receivable	32,329	(11,459)	-	(3,305)	-			17,565				17,565
Increase/(decrease) in creditors, other advances and accrued charges	6,548	(5,767)	(1,395)	(4,525)	(6,335)			(11,474)				(11,474)
(Decrease)/increase in bills payable	(72,182)	(66,738)	1,591	-	-			(137,329)				(137,329)
(Increase)/decrease in amounts due from fellow subsidiaries	-	(3,778)	(7,751)	-	(14,152)	*(1)*	11,529	-				-
						(2)	14,152					
Increase in an amount due from an immediate holding company	-	(37,268)	-	-	-	*(1)*	37,268	-				-
Decrease in amounts due from related companies	-	(2,275)	-	-	-	*(1)*	2,275	-				-
Increase/(decrease) in amount due to ultimate holding company	-	89,010	-	(49,100)	-	*(1)*	(89,010)	-				-
						(2)	49,100					
Increase in amount due to intermediate holding company	-	(79,837)	-	-	-	*(1)*	79,837	-				-
(Decrease)/increase in amounts due to fellow subsidiaries	-	(9,340)	56,397	47,541	-	*(1)*	(47,057)	-				-
						(2)	(47,541)					
Increase/(decrease) in amount due to a related company	-	160	-	(25,562)	(5,511)	*(1)*	(160)	-				-
						(2)	31,073					
Increase in amount due to immediate holding company	-	-	-	-	(36,505)	*(2)*	36,505	-				-
Decrease in derivative financial instruments	26,519	-	32,774	-	-	*(4)*	(24,600)	34,693				34,693
Increase in net assets classified as held for sale	(9,963)	-	-	-	-			(9,963)				(9,963)
Increase in amount due to associate	16,374	-	-	-	-	*(1)*	20,208	(46,707)				(46,707)
						(2)	(83,289)					

		Asset Swap										
		Acquisition		Disposal								
	The Group	Modern China Group	HY Copper Products Group	Solartech Enterprises Group	Fund Resources Group	Notes	Pro forma adjustments for the Assets Swap	The Group after the Asset Swap	Notes	Pro forma adjustments for Hua Yi Placing Shares	Pro forma adjustments for the Solartech Open Offer	The Resulting Group comprising the Group after the Asset Swap, Hua Yi Placing Shares and the Solartech Open Offer
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*
Cash (used in)/generated from operations	(37,124)	(125,644)	104,581	(9,229)	(47,765)			(133,605)				(133,605)
Hong Kong profits tax paid	(2,131)	-	-	-	-			(2,131)				(2,131)
Taxation in Mainland China	(19,259)	(752)	-	-	-			(20,011)				(20,011)
Net cash (used in)/generated from operating activities	(58,514)	(126,396)	104,581	(9,229)	(47,765)			(155,747)				(155,747)
Investing activities												
Interest received	16,859	501	2,215	-	(6)			19,569				19,569
Loans advanced to third parties	-	(8,296)	-	-	-			(8,296)				(8,296)
Purchase of property, plant and equipment	(114,706)	(804)	-	6,627	47,809			(61,074)				(61,074)
Proceeds on disposal of property, plant and equipment	5,115	3,796	-	-	-			8,911				8,911
Additions of prepaid lease payments for land	(4,260)	(4,260)	-	-	-			(8,520)				(8,520)
Prepayments for acquisition of property,plant and equipment	(17,443)	-	-	-	14,000			(3,443)				(3,443)
Decrease/(increase) in pledged deposits	60,031	46,552	(237)	-	-			106,346				106,346
Repayment of note receivables	55,000	-	-	-	-			55,000				55,000
Payment of deferred considerations	(160)	-	-	-	-			(160)				(160)
Repayment of loans receivable	30,324	-	-	-	-			30,324				30,324
Net cash outflow from the Asset Swap	-	-	-	-	-	(5)	(144,096)	(144,096)				(144,096)
Net cash generated from/(used in) investing activities	30,760	37,489	1,978	6,627	61,803			(5,439)				(5,439)

		Asset Swap											
		Acquisition		Disposal									
	The Group	Modern China Group	HY Copper Products Group	Solartech Enterprises Group	Fund Resources Group	Notes	Pro forma adjustments for the Assets Swap	The Group after the Asset Swap	Notes	Pro forma adjustments for Hua Yi Placing Shares	Pro forma adjustments for the Solartech Open Offer	The Resulting Group comprising the Group after the Asset Swap, Hua Yi Placing Shares and the Solartech Open Offer
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*
Financing activities												
Interest paid on bank and other borrowings	(49,947)	(8,596)	(31,729)	688	1,036	*(4)*	33,314	(55,234)				(55,234)
Interest paid on finance leases	(645)	-	(22)	-	-			(667)				(667)
Proceeds from placement of shares	63,966	-	-	-	-			63,966				63,966
Proceeds from issue of open offer shares	-	-	-	-	-			-	*(8)*		65,195	65,195
Proceeds from issue of shares of a listed subsidiary	110,278	-	-	-	-			110,278				110,278
Proceeds received from exercise of share options	5,126	-	-	-	-			5,126				5,126
Increase in amount due to an intermediate holding company	-	-	14,890	-	-	*(1)*	(14,890)	-				-
Reclassification of a listed subsidiary into an associate	(102,038)	-	-	-	-			(102,038)				(102,038)
Repayment of obligations under finance leases	(713)	-	(466)	-	-			(1,179)				(1,179)
New bank loans and trust receipt loans raised	1,638,069	104,912	1,834,109	(16,065)	(25,704)			3,535,321				3,535,321
Repayment of bank loans and trust receipt loans	(1,776,890)	(30,612)	(1,899,194)	10,961	19,277			(3,676,458)				(3,676,458)
Repayment of convertible notes	(77,600)	-	-	-	-			(77,600)				(77,600)
Net cash (used in)/generated from financing activities	(190,394)	65,704	(82,412)	(4,416)	(5,391)			(198,485)				(133,290)

		Asset Swap											
		Acquisition		Disposal									
	The Group	Modern China Group	HY Copper Products Group	Solartech Enterprises Group	Fund Resources Group		Pro forma adjustments for the Assets Swap	The Group after the Asset Swap		Pro forma adjustments for Hua Yi Placing Shares	Pro forma adjustments for the Solartech Open Offer	The Resulting Group comprising the Group after the Asset Swap, Hua Yi Placing Shares and the Solartech Open Offer
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*HK$'000*
Net (decrease)/increase in cash and cash equivalents	(218,148)	(23,203)	24,147	(7,018)	8,647			(359,671)				(294,476)
Effect of foreign exchange rate changes	7,557	12,088	676	8,556	(1,234)			27,643				27,643
Cash and cash equivalents at beginning of the year	290,795	63,165	62,608	(2,759)	(21,555)			392,254				392,254
Cash and cash equivalents at end of the year	80,204	52,050	87,431	(1,221)	(14,142)			60,226				125,421
Analysis of the balances of cash and cash equivalents												
Bank balances and cash	85,817	52,050	87,431	(1,221)	(14,142)	*(5)*	(144,096)	65,839	*(8)*		65,195	131,034
Bank overdrafts	(5,613)	-	-	-	-			(5,613)				(5,613)
	80,204	52,050	87,431	(1,221)	(14,142)			60,226				125,421

(E) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

	Consolidated net tangible assets of the Group as at 30 June 2008	Add: Estimated proceeds from the Solartech Open Offer	Less: Deemed disposal of investment in Hua Yi Placing Shares	Unaudited pro forma adjusted consolidated net tangible assets of the Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 8)	*(Note 7)*	
	1,062,716	65,195	(110,671)	1,017,240
Consolidated net tangible assets per share before completion of the Solartech Open Offer as at the Latest Practicable Date				HK$1.76
Unaudited pro forma adjusted consolidated net tangible assets per share immediately following completion of the Solartech Open Offer, the Asset Swap and the Hua Yi Placing Shares				HK$0.34

Notes:

(1) The adjustment reflects the reclassification of intra-group balances of the the Modern China Group and HY Copper Products Group (the "Hua Yi Sale Companies") with Solartech group companies, as if the acquisition of the Hua Yi Sale Companies had been completed on 30 June 2008. Upon the acquisition of the Hua Yi Sale Companies, these balances are reclassified as intercompany balances with the Group and are eliminated.

(2) The adjustment reflects the reclassification of intra-group balances of the Solartech Enterprises Group and the Fund Resources Group (the "Solartech Sale Companies") with Solartech group companies that were eliminated with the relevant intercompany balances during the consolidation of the Solartech Sale Companies into the Group, as if the disposal of the Solartech Sale Companies had been completed on 30 June 2008. Upon the disposal of the Solartech Sale Companies, these balances are reclassified as amount due to an associate.

(3) The adjustment reflects the elimination of intercompany transactions, as if the acquisition of the Hui Yi Sale Companies and the disposal of the Solartech Sale Companies had been completed on 1 July 2007.

(4) From 1 July 2007 to 22 April 2008, the Hui Yi Sale Companies were subsidiaries of the Company. As a result of a deemed disposal of Hui Yi on 22 April 2008, the Hui Yi Sale Companies became associates of the Company. This adjustment reflects the elimination of financial results of the Hui Yi Sale Companies for the period from 1 July 2007 to 22 April 2008 which are already included in the consolidated income statement of the Group for the year ended 30 June 2008 and share of results of associates from 23 April 2008 to 30 June 2008 as if the acquisition of the Hui Yi Sale Companies had been completed on 1 July 2007.

(5) This adjustment represents the consideration that the Company is required to pay Hua Yi in cash under the set-off arrangement which equals (i) the difference between the combined net asset value of the Hua Yi Sale Companies and the combined net asset value of the Solartech Sale Companies; and (ii) the difference between the total shareholder's loans owed by the Hua Yi Sale Companies and the total shareholder's loans owed by the Solartech Sale Companies to their respective immediate holding companies.

In the unaudited pro forma consolidated balance sheet, the Asset Swap is accounted for as if the Asset Swap had been completed on 30 June 2008. The combined net asset value of the Hua Yi Sale Companies and the Solartech Sale Companies were approximately HK$224,811,000 and HK$3,298,000, respectively, and were based on their audited net asset values as at 30 June 2008. The total shareholder's loans owed by the Hua Yi Sale Companies and the total shareholder's loans owed by the Solartech Sale Companies were approximately HK$120,209,000 and HK$166,565,000, respectively as at 30 June 2008. Pursuant to the set-off arrangement under the set-off deed, the consideration was adjusted such that it represents (i) the difference between the combined net asset value of the Hua Yi Sale Companies and the combined net asset value of the Solartech Sale Companies; and (ii) the difference between the total shareholder's loans owed by the Hua Yi Sale Companies and the total shareholder's loans owed by the Solartech Sale Companies, amounting to HK$175,157,000 in aggregate (including the difference of HK$46,356,000 in shareholder's loans between the Hua Yi Sale Companies and the Solartech Sale Companies). There will be no gain or loss incurred by the Company as a result of the Asset Swap.

For the purpose of preparing this Unaudited Pro Forma Financial Information, notwithstanding that in accordance with the Agreements and set-off arrangement, the consideration of the Asset Swap shall only take into account (i) the combined net asset values of the Hua Yi Sale Companies and the shareholder's loan owed by the Hua Yi Copper Products Group to its immediate holding company and (ii) the combined net asset values of the Solartech Sale Companies and the shareholder's loans owed by the Solartech Sale Companies due to their respective immediate holding companies, the cash consideration of HK$175,157,000 calculated in the above paragraph includes the shareholder's loan of the Modern China Group due to its immediate holding company, because it is the directors' intention to set off such loan of the Modern China Group through transfer of intercompany current accounts.

In addition, the shareholder's loans of the Hua Yi Sale Companies and the Solartech Sale Companies amounting to HK$120,209,000 and HK$166,565,000, respectively include not only the shareholder's loans of the Hua Yi Sale Companies and the Solartech Sale Companies due to their immediate holding companies as at 30 June 2008, but also certain intercompany balances with their fellow subsidiaries as at 30 June 2008, based on the assumption that those intercompany balances will be transferred to their respective immediate holding companies before the Asset Swap.

In the unaudited pro forma consolidated income statement and cash flow statement, the Asset Swap is accounted for as if the Asset Swap had been completed on 1 July 2007. The net asset values of both the Hua Yi Sale Companies and the Solartech Sale Companies were based on their audited net asset values as at 30 June 2007. Pursuant to the set-off arrangement, the consideration was adjusted such that it represents (i) the difference between the combined net asset value of the Hua Yi Sale Companies and the combined net asset value of the Solartech Sale Companies; and (ii) the difference between the total shareholder's loans owed by the Hua Yi Sale Companies and the total shareholder's loans owed by the Solartech Sale Companies to their respective immediate holding companies. There will be no gain or loss incurred by the Company as a result of the Asset Swap. The net cash outflow of the Asset Swap as shown in the unaudited pro forma consolidated cash flow statement represents the aggregate of (i) the difference between the combined net asset value of the Hua Yi Sale Companies of HK$178,907,000 and the combined net deficiency in assets of the Solartech Sale Companies HK$5,253,000 as at 30 June 2007; and (ii) the difference between the total shareholder's loans owed by the Hua Yi Sale Companies of HK$20,000 and the total shareholder's loans owed by the Solartech Sale Companies of HK$40,084,000 as at 30 June 2007, amounting to HK$144,096,000 in aggregate.

(6) The adjustment represents the elimination of pre-acquisition owner's equity of the Hua Yi Sale Companies as if they had been acquired on 30 June 2008.

(7) The adjustment represents the loss on deemed disposal of the Group's interest in Hua Yi in relation to the proposed placing of shares by Hua Yi (the "Hua Yi Placing Shares"). Pursuant to Hua Yi Placing Shares, there would be firstly a capital reduction of Hua Yi's existing shares from HK$0.20 to HK$0.01, following which every five shares of HK$0.01 will be consolidated into one share of HK$0.05 ("Consolidated Placing Share"). The placing agent will procure subscribers to subscribe for 104,000,000 Consolidated Placing Shares at a price of HK$0.30 per Consolidated Placing Share.

Pursuant to the Hua Yi Placing Agreement, the placing agent has undertaken to place only to the placees who themselves and their respective ultimate beneficial owners be third parties independent of and not connected with or acting in concert with any of the connected persons of Hua Yi and persons who are not acting in concert with the Placing Agent with respect to the Company or Hua Yi. Hence, the Company is not qualified to subscribe for any Consolidated Placing Share, and this will result in a decrease in shareholding in Hua Yi from 45.42% to 28.62% after the Hua Yi Placing Shares. Such a reduction in shareholding in Hua Yi constitutes a deemed disposal of investment of the Company in Hua Yi of approximately HK$110,671,000, which is calculated as the difference between (i) the Company's share of consolidated net asset value of Hua Yi and its subsidiaries of HK$707,173,000 as at 30 June 2008 by its 45.42% shareholding in Hua Yi before the Hua Yi Placing Shares, amounting to HK$321,198,000; and (ii) the Company's share of the resulting consolidated net asset value of Hua Yi and its subsidiaries after the gross proceeds of the Hua Yi Placing Shares of HK$31,200,000 less professional fees of HK$2,000,000 and share placing commission of HK$780,000, of approximately HK$735,593,000, as at 30 June 2008 for the purpose of preparing the Unaudited Pro Forma Financial Information by its reduced shareholding in Hua Yi of 28.62%, amounting to HK$210,527,000.

Moreover, as Hua Yi only became an associate of the Company during the year ended 30 June 2008, the impact of the deemed disposal on the Group's share of results of Hua Yi and its subsidiaries was not taken into account for the purpose of preparing the unaudited pro forma consolidated income statement.

(8) The Company proposes to make an open offer of its shares on a fully underwritten basis in the proportion of four open offer shares for every existing share at subscription price of HK$0.027 per each open offer share. The estimated proceeds from the Solartech Open Offer are calculated based on 2,414,617,448 open offer shares to be issued at the subscription price of HK$0.027 per open offer share of approximately HK$65,195,000. Pursuant to the Underwriting Agreement, an underwriting commission shall be paid to the Underwriter calculated at 2.5% of the aggregate subscription price of the Solartech Open Offer Share underwritten by the Underwriter. No underwriting commission is recorded as it is assumed that the Underwriter is not required to underwrite the open offer shares for the preparation of the Unaudited Pro Forma Financial Information.

The amount of HK$24,146,000 will be credited to the Company's share capital and the remaining amount of HK$41,049,000 will be credited to the Company's share premium account.

(9) The adjustment represents the accrual of estimated costs, representing professional fees of HK$3,000,000. The adjustment will have no continuing effect on the Group's financial results.

Chung,Chan &Associates
Chartered Surveyors
Professional Valuers of all types of Property, Business and Assets,
Plant, Machinery and Equipment
Professional Real Estate Advisers

衡量行

31 December, 2008

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

Dear Sirs,

RE: VALUATION OF PROPERTY INTERESTS OF SOLARTECH INTERNATIONAL HOLDINGS LIMITED AND ITS SUBSIDIARIES IN HONG KONG AND THE PEOPLE'S REPUBLIC OF CHINA.

In accordance with your instructions to value the property interests held by Solartech International Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") Solartech Enterprises Limited and Fund Resources Limited and their respective subsidiaries (hereinafter together referred to as "Solartech Sale Companies") and Modern China Enterprises Limited and its subsidiaries (hereinafter together referred to as the "Modern China Group") in Hong Kong and the People's Republic of China (the "PRC"), we have carried out inspections, made relevant enquiries and have obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the properties as at 30 November 2008, (the "date of valuation") for inclusion in the circular of the Company dated 31 December 2008. Our valuations undertaken herein are in compliance with the requirements as set out in Chapter 5 and Practice Note 12 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Our valuation of each of the above property interests is our opinion of its market value which, in accordance with the Valuation Standards on Properties (First Edition 2005) as laid down by the Hong Kong Institute of Surveyors (HKIS) and the RICS Valuation Standards (6th Edition) as published by the Royal Institution of Chartered Surveyors (RICS), is defined as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our valuations have been made on the assumption that the owners sell the property interests on the market in their existing state without the benefit of a deferred terms contract, sale and leaseback, joint venture, unusual financing, management agreement, concessionary engagement or any similar arrangement which would serve to enhance, affect or diminish the values of the properties. In addition, no account is taken of any option or pre-emptive right relating to or affecting the sale of the properties and no forced sale in any form in respect of the properties has been assumed in our valuations.

As at 30 November 2008, a portion of the property in Hong Kong (Property no. 1) is rented out whilst those 10 properties in the PRC (Properties nos. 2 to 11) are held or occupied by the Group. Two of the properties i.e. Properties nos. 5 and 9 are parcels of vacant land which are held for future development.

All of the properties which are owner-occupied or vacant have been valued on the basis of their market values on the assumption that vacant possession will be available in the event of a sale or transfer and having regard to market comparables wherever possible.

Apart from the property in Hong Kong, i.e. Property no. 1, we have adopted the market approach in valuing the land portion and the depreciated replacement cost approach in assessing the buildings and structures which have been erected on the land in respect of those properties with completed buildings and structures in the PRC i.e. Properties nos. 2, 3, 4, 6, 7, 8, 10 and 11. In valuing the land portion of these properties (Properties nos. 2 to 11), regard is had to market comparables of similar types of land in the respective localities with adjustments made to reflect differences in location, size and nature of the land as well as other relevant factors affecting values.

Due to the nature of the undertakings in respect of the aforementioned industrial properties in the PRC which are industrial complexes, including their locations, and the fact that the buildings and structures were specially designed and built to accommodate the existing businesses or operations, the subject properties are considered to be specialised properties for which there is no readily identifiable market or there is a lack of demand or market in isolation from the undertakings using them. In view of the aforesaid comments, the buildings and structures in respect of these properties have been valued on the basis of depreciated replacement cost.

Depreciated Replacement Cost (DRC) is defined as the current cost of replacement of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimisation relating to and affecting the property.

It is generally accepted that this basis of valuation provides the most reliable indication of value for the property in the absence of an established market.

However, when applying the DRC as a basis of valuation, we would advise that the market value of the property is likely to be lower upon cessation of the existing business and operation than it is at the date of valuation.

We have relied to a very considerable extent on information given by the Group and have accepted advice given to us in relation to planning and construction approvals, statutory notices, easements, tenure, completion dates of construction of the buildings and structures, agreements or contracts, particulars of occupancy, land areas or site areas, gross floor areas, construction costs as well as other relevant matters.

We have conducted title searches at the Land Registry in Hong Kong for Property no. 1 and we have been provided with copies of State-owned Land Use Sales Contracts and other contracts, State-owned Land Use Certificates, Construction Land Use Planning Permits, Construction Project Planning Permits, Construction Project Works Permits, Certificates of Real Estate Ownership, All Rights Certificates of Housing Ownership and other documents relating to those properties in the PRC i.e. Properties nos. 2 to 11. Whilst some of the copies of documents show the ownership of the properties, we however, have not inspected the original documents to verify ownership or to ascertain the existence of any lease amendments which do not appear on the copies provided to us.

All copies of agreements or contracts, certificates, permits and other documents relating to the various property interests have been used as reference only. All dimensions, measurements and areas, including land areas or site areas and gross floor areas, as stated in our valuation certificate, are approximate and are based on information provided to us by the Group. Such information, which are either in the form of copies of agreements or contracts, certificates, permits or other documents are assumed to be correct. No on-site measurements have been taken or carried out to determine the land areas or floor areas of the properties or to verify their correctness.

In preparing our valuation of those properties in the PRC (Properties nos. 2 to 11), we have relied on legal advice given by the Group's PRC lawyers that the land use rights of the properties are transferable and that unless otherwise stated, any premium payable has already been fully paid or will be fully paid. We have assumed that all approvals, consents, certificates, permits and licences from the relevant Government authorities for the properties have been or will be granted without any onerous conditions or undue delay which might affect the values of the properties.

We have been advised by the Group that it has sought legal advice from its PRC legal advisers on PRC law regarding the legality and validity of the various agreements or contracts and documents relating to the purchase, development and use of the properties in the PRC and the interest of the Group in the properties. For the purpose of our valuations, we have relied on legal advice given by the Group's PRC lawyers that the titles in respect of the properties, whether vested in the Group or pending, are good and legally enforceable.

In addition, we have relied on the legal opinions of the Group's PRC lawyers that the Group has free and uninterrupted rights to use, transfer, lease or mortgage the majority of the properties in the PRC for the unexpired term of the granted leases and that all costs relating to the acquisition of the properties have been or will be paid in full.

All the information provided to us by the Group, which are pertinent to our valuations, are believed to be true and accurate and it is assumed that no material facts have been omitted from the information provided to us.

We are instructed to express our opinion on the market values of the property interests and in the capacity of an external valuer, have not undertaken any building survey to report on the condition or state of repair of the buildings and structures accommodating or comprising parts of the properties which are industrial complexes as at the date of valuation although in the course of our inspections we did not note any serious defects. However, we must advise that we cannot express an opinion about or give advice on the condition of the uninspected parts of the aforementioned properties or report on whether or not those parts of the properties which are concealed, unexposed or inaccessible are free of rot, infestation or other structural defects, whether latent or otherwise. For the purpose of our valuations, the aforesaid parts of the properties are assumed to be in a good state of repair and condition and this report should not be construed as making any implied representation or statement about the conditions of such parts. None of the services in respect of the properties has been tested.

We have not arranged for any investigation to be conducted or tests to be carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the various buildings and structures accommodating the properties or forming parts of the properties, or whether such materials have since been incorporated, and we are therefore unable to report that the buildings and structures are free from such risk. However, for the purpose of our valuations, we have assumed that should such an investigation be carried out it would not reveal the presence of any such materials to any significant extent.

We would advise that we have not conducted any site investigations or carried out any tests to determine the suitability of any of the parcels of land which have been developed or held for future development and our valuations of the properties have been prepared on the basis that there are no adverse ground or soil conditions that would affect construction or building costs. Our valuations of the properties are also on the basis that services such as electricity, water and gas as well as drainage, sewage disposal, internal roads, telecommunication services and other facilities have been provided to the completed industrial complexes. Our valuations of the properties do not allow for contamination, if any, of the various parcels of land which have been developed or held for future development and this report does not make allowance for such a factor in respect of any of the properties due to possible past usage of the lands.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the property interests and neither has any allowance been made for any liability to taxation on sale or any expenses which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In accordance with advice and information provided to us by the Group, the potential tax liability which would arise from the disposal of the properties in the PRC are, where applicable, those relating to business tax, PRC land capital gains tax, PRC corporate tax, stamp duty and urban construction maintenance fee. In preparing our valuation of the properties, we are advised by the Group that the aforementioned tax liability is unlikely to crystallize as the properties are, as at the date of valuation, used by the Group and will continue to be used by the Group.

In accordance with your instructions, we are required to express our opinion on the market value of the property interest in Hong Kong (Property no. 1) in the local currency i.e. Hong Kong Dollars and the market values of those properties in the PRC (Properties nos. 2 to 11) also in Hong Kong Dollars. The exchange rate used for converting the values of Properties nos. 2 to 11 from Renminbi to Hong Kong Dollars at relevant date is equivalent to about RMB1.00 = HK$1.13 which is the average exchange rate prevailing at the date of valuation. We understand that there has been no significant fluctuation in the exchange rate of the Renminbi and the Hong Kong Dollar between the date such exchange rate was adopted and the date of this letter.

We attach herewith a summary of the market values in respect of the properties and our valuation certificates.

Yours faithfully,
CHUNG, CHAN & ASSOCIATES
Peter C. K. Chung
FRICS FHKIS MIS(M) PDABV

Note : Mr. Peter Chung is a Chartered Surveyor, a Fellow of the Royal Institution of Chartered Surveyors and a Fellow of the Hong Kong Institute of Surveyors, and has been conducting professional valuations of property and other assets as well as providing professional advisory work in Hong Kong, mainland China, the Asia Pacific region, Europe and America for over 25 years. He has more than 15 years experience in the valuation of properties in the PRC.

SUMMARY OF VALUES

	Property in Hong Kong	Classification of Property	Market value in existing state as at 30 November 2008 *(HK$)*
	Properties owned by the Group (excluding Solartech Sale Companies)		
1.	Workshop 7 (including Workshop 5 on 1st Floor) with 2 Lightwell Spaces on 2nd Floor, Car Park Nos. L1, L5 and P4 on 1st Floor and Car Park Nos. P2 and P3 on Ground Floor, Kingsford Industrial Centre, No. 13 Wang Hoi Road, Kowloon, Hong Kong	Property partly rented out and partly owner-occupied	16,500,000
	Property in the PRC		
2.	Industrial complex situated off Yanhe Yi West Road, Qiaozi Administrative District, Changping Town, Dongguan, Guangdong Province, People's Republic of China.	Property held for owner-occupation	49,720,000
3.	Industrial complex situated at Yanhe Yi West Road, Tang Jiao Administrative District, Changping Town, Dongguan, Guangdong Province, People's Republic of China.	Property held for owner-occupation	36,838,000

	Property in the PRC	Classification of Property	Market value in existing state as at 30 November 2008 *(HK$)*
4.	Industrial complex (Xin Bao Industrial District) occupying a portion of land situated off a road perpendicular to Huanchang North Road (formerly Beihuan Road), Changping Town, Dongguan, Guangdong Province, People's Republic of China.	Property held for owner-occupation	14,690,000
5.	House W22, Tomson Golf Villa, Phase 2, No. 1 Longdong Avenue, Pudong New District, Shanghai, People's Republic of China.	Property held for owner-occupation	24,000,000
6.	Industrial complex situated at No. 6118 Huqingping Main Road, Zhujiajiao Town, Qingpu District Shanghai, People's Republic of China.	Property held for owner-occupation	10,735,000
	Properties held and occupied by the Modern China Group		
7.	The remaining portion of land situated off Huanchang North Road (formerly Beihuan Road), Changping Town, Dongguan, Guangdong Province, People's Republic of China.	Property held for future development	32,318,000

	Property in the PRC	Classification of Property	Market value in existing state as at 30 November 2008 *(HK$)*
8.	Industrial complex situated at Huanchang North Road (formerly Beihuan Road), Mulun Administrative District, (Bu Tian), Changping Town, Dongguan, Guangdong Province, People's Republic of China.	Property held for owner-occupation	51,528,000
9.	Land situated at Zhang Chun Gang Road, Anling Village, Xie Qiao Zhen, Jingjiang, Taizhou City, Jiangsu Province, People's Republic of China.	Property held for future development	5,311,000
	Properties held and occupied by the Solartech Sale Companies		
10.	Industrial complex situated in Phase II, Nangang Industrial Development Zone, Shanghang County, Longyan, Fujian Province, People's Republic of China.	Property held for owner-occupation	46,556,000
11.	Industrial complex situated at Nos. 66 and 69 Beiyuan Road, Dingshanhu Zhen, Kunshan, Jiangsu Province, People's Republic of China.	Property held for owner-occupation	62,489,000
	Total		350,685,000

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2008
1.	Workshop 7 (including Workshop 5 on 1st Floor) with 2 Lightwell Spaces on 2nd Floor, Car Park Nos. L1, L5 and P4 on 1st Floor and Car Park Nos. P2 and P3 on Ground Floor, Kingsford Industrial Centre, No. 13 Wang Hoi Road, Kowloon, Hong Kong. 507/6,873 shares of and in New Kowloon Inland Lot No. 5834.	The property comprises two factory units, two lorry parking spaces and three car parking spaces in a 13-storey light industrial development which has a frontage to Wang Hoi Road and a return frontage to Lam Fook Street in Kowloon Bay district of Kowloon. The building was built in 1986 or there-abouts. The total gross floor area of the two factory units is 10,625 sq.ft. (987 sq.m. approximately) whilst the total saleable area is 9,775 sq.ft. (908 sq.m. approximately). The two lightwell spaces has a total area of 82 sq.ft (7.60 sq.m. approximately). The property is held under Conditions of Sale No. 11467 for a lease term of 99 years, which commenced on 1 July 1898. By virtue of the New Territories leases (Extension) Ordinance, the lease has been extended for a further term of 50 years until 30 June 2047. The ground rent payable in respect of the Lot is equivalent to three per cent of the rateable value of the property.	As at the date of valuation, Workshop 7 on 2nd Floor is let to Hua Yi Copper Products Company Limited for a lease term of 3 years commencing on 11 August 2007 and expiring on 10 August 2010 at a rent of HK$15,000 per month, inclusive of government rent, rates and management fee, water and electricity charges. The five parking spaces are occupied and used by the Landlord, Chau's Electrical Company Limited, a 100% owned subsidiary of the Company.	HK$16,500,000

Notes:

(i) The registered owner of the property is Chau's Electrical Company Limited, a 100% owned subsidiary of the Company.

(ii) There is a mortgage in favour of the Hongkong and Shanghai Banking Corporation Limited in respect of Workshop 7 (including Workshop 5 on 1st Floor) with 2 lightwell spaces on 2nd Floor, and Car Park Nos. L1 and P4 on 1st Floor, Kingsford Industrial Centre vide Memorial No. 05081600920100 dated 9 August 2005.

(iii) Our valuation of the property is based on a 100 per cent attributable interest.

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2008
2.	Industrial complex situated off Yanhe Yi West Road, Qiaozi Administrative District, Changping Town, Dongguan, Guangdong Province, People's Republic of China.	The property comprises an industrial complex consisting of one factory building and five out-buildings occupying a parcel of land which is situated off Yanhe Yi West Road within the Qiaozi Administrative District which is located on the western fringe of Changping Town and south-east of the city of Dongguan. The land upon which this industrial complex occupies is adjacent to the land in respect of Property no. 3 with both parcels of land separated by a river. All of the aforementioned buildings and out-buildings are believed to have been built between 1996 and 1999. According to the Certificates of Real Estate Ownership, the aforementioned 3-storey factory building (Workshops A, B, C and D) has a gross floor area of 41,837.86 sq.m., whilst each of the two single storey power generating rooms (Room 1 and Room 2) has a gross floor area of 111.00 sq.m. and 479.92 sq.m. respectively. The total gross floor area of the above-mentioned building and out-buildings is therefore 42,428.78 sq.m. The remaining three out-buildings namely the two single storey boiler out-buildings, and the single storey mechanical out-building, which do not have the Real Estate Ownership Certificates, have gross floor areas of 343.20 sq.m. and 88.80 sq.m. respectively. The total gross floor area of all these three out-buildings is 432.00 sq.m. The land is irregular in shape and is paved and fenced, and has a site area of 30,096 sq.m. The property has been granted a State- owned land use term of 50 years commencing on 17 September 1996 and expiring on 16 September 2046 and use of the property is for industrial purposes.	As at the date of valuation, the property is occupied by Dongguan Qiaozi Chau's Electrical Co. Ltd., a 100% owned subsidiary of the Company, for use as industrial premises with workshops and offices.	HK$49,720,000

Notes:

1. According to the State-owned Land Use Certificate – Dong Fu Guo Yong (1996) Zi Di Te No. 290 (國有土地使用證－東府國用(1996)字第特290號) dated 23 September 1996, issued by the People's Government of Guangdong Province, the land has an area of 30,096 sq.m. with a land use term of 50 years commencing on 17 September 1996 and expiring on 16 September 2046. Use of the land is for industrial factory purposes. The title in respect of the property is vested in Chau's Electrical (BVI) Co. Ltd. (周氏電業(海外)有限公司), a 100% owned subsidiary of the Company.

2. According to the Certificates of Real Estate Ownership Right – Yue Fang Di Zheng Zi Di Nos. C2882158, C2882159 and 2882160 (房地產權證－粵房地證字第C2882158, C2882159及2882160號) all dated 24 September 2004 and issued by the People's Government of Guangdong Province, the respective gross floor areas of the two power generating rooms (Room 1 and Room 2) and the factory building are 111 sq.m., 479.92 sq.m. and 41,837.86 sq.m. which amount to a total of gross floor area of 42,428.78 sq.m. Use of the two power generating rooms and factory building is for industrial purposes. The foundation areas in respect of the two out-buildings and factory building as stated in the aforementioned certificates are respectively 111 sq.m., 479.92 sq.m. and 13,801.35 sq.m. The title in respect of the property is vested in Chau's Electrical (BVI) Co. Ltd. (周氏電業(海外)有限公司), a 100% owned subsidiary of the Company.

3. There is a mortgage in favour of Bank of China Limited Dongguan Branch in respect of the subject property registered under Maximum Limit of Collateral Contract No. GDY475970120070003 dated 14 June 2007.

4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:

   (i) Chau's Electrical (BVI) Co. Ltd. is in possession of a legal title to the property and is entitled to transfer, lease or mortgage the property with the residual term of the land use right at no additional premium or other costs payable to the government.

   (ii) All land premium have been settled.

   (iii) The design, construction and completion of the aforementioned 3-storey factory building (4 levels including roof) and the two single storey power generating rooms (Rooms 1 and 2) which have Certificates of Real Estate Ownership, are in compliance with local planning regulations and have been approved by the relevant government authorities.

   (iv) Our valuation of the property is based on the above-mentioned land area of 30,096 sq.m. and total gross floor area of the above-mentioned 3-storey factory building and two power generating rooms, of 42,428.78 sq.m.

   (v) No market value is attributable to the three out-buildings namely the two single storey boiler out-buildings and the single storey mechanical out-building which do not have Certificates of Real Estate Ownership due to the fact that these out-buildings cannot be transferred although they may be used by the owner or occupier for their specific purposes.

   (vi) Our valuation of the property is based on a 100 per cent attributable interest.

   (vii) The property may be disposed of freely to purchasers within and outside the PRC.

5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development and use of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

State-owned Land Use Certificate (Dong Fu Guo Yong (1996) Zi Di Te No. 290)	– obtained
Certificates of Real Estate Ownership Right (Yue Fang Di Zheng Zi Di Nos. C2882158, C2882159 and 2882160)	– obtained
Chau's Electrical (BVI) Co. Ltd.Certificate of Incorporation No. 106015	– obtained

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2008
3.	Industrial complex situated at Yanhe Yi West Road, Tang Jiao Administrative District, Changping Town, Dongguan, Guangdong Province, People's Republic of China.	The property comprises an industrial complex consisting of one multi-purpose building, two factory buildings, four dormitory buildings and structures occupying a parcel of land which is situated off Yanhe Yi West Road within the Tang Jiao Administrative District which is located on the western fringe of Changping Town and south-east of the city of Dongguan. The land upon which this industrial complex occupies is adjacent to the land in respect of Property no.2 with both parcels of land separated by a river. All of the buildings and structures are believed to have been built between 1997 and 1998. According to the Certificates of Real Estate Ownership, the aforementioned 5-storey multi-purpose building has a gross floor area of 12,518.11 sq.m., whilst each of the four 6-storey dormitory buildings has a gross floor area of 3,536.48 sq.m. The total gross floor area (GFA) of the above-mentioned buildings is therefore 26,664.03 sq.m. Details of the remaining two factory buildings and three structures, which do not have the Real Estate Ownership Certificates, are as follows:	As at the date of valuation, the property is occupied by Dongguan Qiaozi Chau's Electrical Co. Ltd., a 100% owned subsidiary of the Company, for use as industrial premises with workshops and dormitory.	HK$36,838,000

Building	**GFA** *(sq.m.)*
Workshop E (1 to 3-storey)	7,552.00
Workshop F (4-storey)	7,448.00
Extension to Workshop E	687.96
Disused Material Store	343.52
Guardroom	9.30
Total	16,040.78

The land is irregular in shape and is paved and fenced and has an area of 21,437.04 sq.m.

The property has been granted a State-owned land use term of 50 years commencing on 21 October 1996 and expiring on 20 October 2046 and use of the property is for industrial purposes.

Notes:

1. According to the State-owned Land Use Certificate – Dong Fu Guo Yong (1996) Zi Di Te No. 349 (國有土地使用證－東府國用(1996)字第特349號) dated 17 April 2002, issued by the People's Government of Dongguan Municipality, the land has an area of 21,437.04 sq.m. with a land use term of 50 years commencing on 21 October 1996 and expiring on 20 October 2046. Use of the land is for industrial purposes. The title in respect of the property is vested in Chau's Electrical (BVI) Co. Ltd. (周氏電業（海外）有限公司), a 100% owned subsidiary of the Company.

2. According to the Certificates of Real Estate Ownership Right – Yue Fang Di Zheng Zi Di Nos. 1481471, 1481472, 1481473, 1481474 and 1481475 (房地產權證－粵房地證字第1481471, 1481472, 1481473, 1481474及1481475號) all dated 9 October 1998, issued by the People's Government of Guangdong Province, the multi-purpose building (6 levels including roof) has a gross floor area of 12,518.11 sq.m. and each of the four dormitory buildings (7 levels including roof) has a gross floor area of 3,536.48 sq.m.. The total gross floor area of the above-mentioned buildings is therefore 26,664.03 sq.m. The title in respect of the property is vested in Chau's Electrical (BVI) Co. Ltd. (周氏電業（海外）有限公司), a 100% owned subsidiary of the Company.

3. There is a mortgage in favour of Bank of China Limited Dongguan Branch in respect of the subject property registered under Maximum Limit of Collateral Contract No. GDY475970120070003 dated 14 June 2007.

4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:

   (i) Chau's Electrical (BVI) Co. Ltd. is in possession of a legal title to the property and is entitled to transfer, lease or mortgage the property with the residual term of the land use right at no additional premium or other costs payable to the government.

   (ii) All land premium have been settled.

   (iii) The design, construction and completion of the aforementioned 5-storey multi-purpose building and four 6-storey dormitory buildings which have Certificates of Real Estate Ownership, are in compliance with local planning regulations and have been approved by the relevant government authorities.

   (iv) Our valuation of the property is based on the above-mentioned land area of 21,437.04 sq.m. and total gross floor area of the above-mentioned 5-storey multi-purpose building and four 6-storey dormitory buildings, which have Certificates of Real Estate Ownership Right, of 26,664.03 sq.m.

   (v) No market value is attributable to the two factory buildings (Workshops E and F) and three structures (Extension to Workshop E, Disused Material Store and Guardroom) which do not have Certificates of Real Estate Ownership Right due to the fact that these buildings and structures cannot be transferred although they may be used by the owner or occupier for their specific purposes.

   (vi) Our valuation of the property is based on a 100 per cent attributable interest.

   (vii) The property may be disposed of freely to purchasers within and outside the PRC.

5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development and use of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

State-owned Land Use Certificate(Dong Fu Guo Yong (1996) Zi Di Te No. 349)	– obtained
Certificates of Real Estate Ownership Right (Yue Fang Di Zheng Zi Di Nos. 1481471, 1481472, 1481473, 1481474 and 1481475)	– obtained
Chau's Electrical (BVI) Co. Ltd.Certificate of Incorporation No. 106015	– obtained

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2008
4.	Industrial complex (Xin Bao Industrial District) occupying a portion of land situated off a road perpendicular to Huanchang North Road (formerly Beihuan Road), Changping Town, Dongguan, Guangdong Province, People's Republic of China.	The property comprises an industrial complex consisting of three steel frame factory buildings, one steel frame warehouse, one office building, one dormitory building and five structures occupying a parcel of land which is accessible from an access road which runs perpendicular to Huanchang North Road (formerly Beihuan Road) one of the main roads in the northern part of Changping Town and south-east of the city of Dongguan. The property is about 15 minutes' driving distance from the Changping Train Station. All of the aforementioned buildings and structures are believed to have been built between 2000 and 2003. The buildings and structures comprise three single storey steel frame factory buildings, one single storey warehouse, one 3-storey office building, one 4-storey dormitory building and five single storey structures, the latter consisting of a boiler room, a disused materials room, two single storey lavatories, a power generating room and a single storey guardhouse. However, all of the aforementioned buildings and structures do not have the Certificates of Real Estate Ownership. The total gross floor area of the buildings and structures is 21,303.90 sq.m. The land is paved, landscaped and fenced, and has an area of 40,470 sq.m. (60.70 mu). The property has been granted a State- owned land use term of 50 years commencing on the date of issuance of the State-owned Land Use Certificate and use of the property is for industrial purposes. (We are advised by the Company that the property is also known as "A factory complex erected on a parcel of land located at Mu Lun Guan Li District, Bu Tian, Mu Lun, Changping Town, Dongguan City, Guangdong Province, PRC").	As at the date of valuation, the property is occupied by Dongguan Xin Bao Fine Chemical Co. Ltd., a 88.16% owned subsidiary of the Company for use as industrial premises.	HK$14,690,000 (value attributable to Dongguan Hua Yi Brass Products Company Limited)

Notes:

1. The salient conditions in respect of the Land Sales Contract (土地出讓合同書) dated 28 January 1999, entered into between the People's Government of Changping Town (Asset and Property Management Company) (常平鎮人民政府(資產物業管理公司)("Party A") and Dongguan Hua Yi Brass Products Company Limited (東莞華藝銅業有限公司), ("Party B") are as follows:

    a. Party A provides the land which is located at Beihuan Road (now known as Huanchang North Road) and has an area of 215.18 Mu (143,454.05 sq.m.) with a land use term of 50 years commencing on the issuance date of the State-owned Land Use Certificate. Use of the land is for factory and other ancillary facilities.

    b. Party A is responsible for the application of the State-owned Land Use Certificate and also the related certificates.

    c. Party B has to pay the management fee of RMB1,000 per mu annually.

2. According to the Construction Land Use Planning Permit – No. 2002-23-00015 (建設用地規劃許可證-編號2002-23-00015) dated 2 April 2002, issued by the Urban Construction Planning Bureau of Dongguan Municipality, this permit which is in respect of a land area of 40,470 sq.m. (60.70 mu) is issued to Dongguan Xin Bao Fine Chemical Co. Ltd. for its use. We are advised by the Group that the aforementioned land area of 40,470 sq.m. (60.70 mu) is derived from the main lot of 215.18 mu (143,454.05 sq.m.). In other words, the land area of 40,470 sq.m. (60.70 mu) forms part of the total land area of 215.18 mu (143,454.05 sq.m.). The land use unit is Dongguan Xin Bao Fine Chemical Company Limited (東莞新寶精化有限公司), however, the title in respect of the whole parcel of land of 215.18 mu is vested in Dongguan Hua Yi Brass Products Company Limited (東莞華藝銅業有限公司).

3. Details of the factory buildings, office building, dormitory building and the structures are as follows:

Type of Building and Structure	**No. of Storey**	**Gross Floor Area** *(sq.m.)*
Office Building	3	1,800.00
Steel Frame Factory Buildings	1	16,256.00
Dormitory Building	4	1,920.00
3 Steel Frame Warehouse	1	707.50
Boiler Room	1	136.05
Disused Materials Room	1	127.35
2 Lavatories	1	92.00
Power Generating Room	1	252.15
Guardhouse	1	12.85
Total		21,303.90

4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:

    (i) With regard to the title in respect of the property, the Group's PRC Lawyer has advised us that Dongguan Hua Yi Brass Products Company Limited ("Dongguan Hua Yi") has fulfilled the following requirements:

        (a) According to the Land Sales Contract Dongguan Hua Yi has fully paid the land use fee (i.e. consideration for the land) to the Government and has fulfilled the obligations as stated in the Land Sales Contract.

        (b) Dongguan Hua Yi is in the process of applying for the State-owned Land Use Certificate in respect of the land.

        (c) Dongguan Hua Yi is the legal owner of the land.

Based on points a, b and c above, the Group's PRC Lawyer has advised that Dongguan Hua Yi would have no problem in obtaining the aforementioned State-owned Land Use Certificate in the foreseeable future.

In view of the foregoing, we have assumed that Dongguan Hua Yi has a pending legal title to the property.

Dongguan Hua Yi has the right to use the land until the state-owned Land Use Certificate, which is being applied for, is obtained. The land use term of the Certificate shall be 50 years commencing on the date of issuance.

(ii) Dongguan Xin Bao Fine Chemical Co. Ltd. is a 88.16% owned subsidiary of Solartech International Holdings Limited while Dongguan Hua Yi Brass Products Company Limited is held as to 45.42% by Solartech International Holdings Limited.

(iii) All land premium have been settled.

(iv) Our valuation of the property is based on the above-mentioned land area of 40,470 sq.m. (60.70 mu).

(v) No market value is attributable to all of the buildings and structures which are erected on the land namely the three single storey steel frame factory buildings, one single storey warehouse, one 3-storey office building, one 4-storey dormitory building and five single storey structures consisting of a boiler room, a disused materials room, two single storey lavatories, a power generating room and a single storey guardhouse which do not have Certificates of Real Estate Ownership due to the fact that these buildings and structures cannot be transferred although they may be used by the owner or occupier for their specific purposes.

(vi) Our valuation of the property is based on a 100 per cent attributable interest.

(vii) The property may be disposed of freely to purchasers within and outside the PRC.

5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development and use of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Land Sales Contract(dated 28 January 1999)	– signed
Construction Land Use Planning Permit (No. 2002-23-00015)	– obtained
Dongguan Hua Yi Brass Products Company Limited – Business Licence Registration No. 441900400064289	– obtained

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2008
5.	House W22, Tomson Golf Villa, Phase 2, No. 1 Longdong Avenue, Pudong New District, Shanghai, People's Republic of China.	The property comprises a 3-storey detached house located in a high class residential estate situated in Pudong New District near Jian Ping Road, the Inner Ring Road, about 20 minutes' driving distance from the Lu Jia Zui financial district in Pudong. The estate, which was built in stages, has a number of detached houses or villas as well as sports and recreational facilities including a golf course which adjoins it. The house, which has a garage and a garden, was built in 2000 or thereabouts and has a gross floor area of 736.08 sq.m. The land upon which the house occupies is 1,066.03 sq.m. According to the Real Estate Ownership Right Certificate issued by the House and Land Adminstrative Bureau of Shanghai Municipality, the term of the land use right in respect of the property commenced on 24 May 2001 and will be expire on 30 April 2064. Use of the property is for residential purposes.	As at the date of valuation, the property is occupied by the Group for use as a residence.	HK$24,000,000

Notes:

1. The salient conditions of the Advance Handover of Property Agreement (先行交付使用房屋協) dated 27 December 1999 and 6 March 2000 (the "Agreement"), entered into between the Vendor, Tomson Golf (Shanghai) Company Limited 湯臣高爾夫(上海)有限公司 ("Party A") and the Purchaser, Crown Earth Investment Ltd. (國娛投資有限公司) ("Party B") are as follows:

   (i) Party B has agreed to buy the property known as House W22, No. 1 Longdong Avenue, Pudong New District, Shanghai, People's Republic of China.

   (ii) The property has a gross floor area of 736.08 and the share of the land area of the land use right is 1,066.03 sq.m.

2. According to the Real Estate Ownership Right Certificate of Shanghai Municipality – Hu Fang Di Shi Zi (2001) Di No. 004191 (滬房地市字(2001)第004191號) dated 13 June 2001, issued by the House and Land Administrative Bureau of Shanghai Municipality, the property has a land area of 1,066.03 sq.m. and a gross floor area of 736.08 sq.m. with a land use term commencing on 24 May 2001 to 30 April 2064. Use of the property is for residential purposes. The title of the property is vested in Crown Earth Investment Ltd., 100% owned subsidiary of the Company.

3. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:

   (i) Crown Earth Investment Ltd. has a legal title to the property and is entitled to transfer or assign the property with the residual term of the land use right at no additional premium or other onerous costs payable to the government.

   In view of Note 2 above, Crown Earth Investment Ltd. has a land use right relating to the property which comprises land and building.

   (ii) All land premium have been settled.

   (iii) The design, construction and completion of the building are in compliance with local planning regulations and have been approved by the relevant government authorities.

   (iv) Our valuation of the property is based on a 100 per cent attributable interest.

   (v) The property may be disposed of freely to purchasers within and outside the PRC.

4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with information provided to us by the Company and as mentioned above are as follows:

Advance Handover of Property Agreement dated 27 December 1999 and 6 March 2000	– obtained
Estate Ownership RightCertificate of Shanghai Municipality – Hu Fang Di Shi Zi (2001) Di No. 004191	– obtained
Business Licence Registration No. 21354060-000-06-08-7	– obtained

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2008
6.	Industrial complex situated at No. 6118 Huqingping Main Road, Zhujiajiao Town, Qingpu District, Shanghai, People's Republic of China.	The property comprises an industrial complex consisting of two workshops, a storeroom, an office staff quarters and other structures occupying a parcel of land which has a frontage to Huqingping Main Road within Qingpu District which is located to the north-west of the city of Shanghai. The National Highway G318 bypasses to the south of the property. All of the aforementioned buildings and structures are believed to have been built in 1996 or thereabouts. According to the Certificates of Real Estate Ownership Right, the aforementioned a single storey and 2-storey workshops, a single storey storeroom and a 3-storey office staff quarters and a guard house has a total gross floor area of 5,152 sq.m. out of which a 60 sq.m. single-storey guardhouse has been demolished. The total gross floor area of the above-mentioned buildings, excluding the guardhouse, is therefore 5,092.00 sq.m. The other three extensions to the 2-storey workshop and four structures, which do not have the Real Estate Ownership Certificates, have a total gross floor area of 935 sq.m. The land is somewhat triangular in shape and is paved, landscaped and enclosed, and has an area of 13,901 sq.m. The property has been granted a State- owned land use term of 50 years commencing on 14 November 1997 and expiring on 13 January 2047 and use of the property is for industrial purposes.	As at the date of valuation, the property is occupied by Shanghai Chau's Electrical Limited, a 100% owned subsidiary of the Company for use as industrial premises with workshops, office and ancillary uses.	HK$10,735,000

Notes:

1. The salient conditions in respect of the Qingpu County State-owned Land Use Right Sales Contract and Land No. 210 Qingpu County State-owned Land Use Conditions of Qingpu County, Shanghai Municipality – No. Qing Fang Di (1997) Chu Rang He Tong Di 31 (上海市青浦縣國有土地使用權出讓合同書及青浦縣210號地塊國有土地使用條件－青房地(1997)出讓合同第31號) dated 14 November 1997, entered into between the House and Land Administrative Bureau of Qingpu County, Shanghai Municipality (上海市青浦縣房屋土地管理局) ("Party A") and Shanghai Chau's Electrical Co. Ltd. (上海周氏電業有限公司), ("Party B"), a 100% owned subsidiary of the Company, are as follows:

   a. Party A sells the land to Party B which is located at land no. 210 Qingpu County and has an area of 13,901 sq.m. with a land use term of 50 years and the use of the land is for industrial purposes.

   b. Party B has to pay the land use fee of RMB1 per sq.m. annually during the land use period.

   c. The land can be transferred, leased or mortgaged in accordance with the terms and conditions as stated in the Contract.

   d. The land has a plot ratio of less than or equal to 1 (the total gross floor area of the construction project cannot exceed 13,901 sq.m.). The density of the construction is less than or equal to 40% of the total land area. The percentage of the landscape is more than or equal to 20% of the total land area.

   e. Party B has to submit the application to Party A one year prior to the expiry date of the lease term if Party B wishes to renew the land use term in respect of the State-owned land use right of the property.

2. According to the Certificates of Real Estate Ownership Right – Hu Fang Di Qing Zi (1999) Di No. 002688 (房地產權證－滬房地青字(1999)第002688號) dated 3 August 1999, issued by the House and Land Administrative Bureau of Shanghai Municipality, 5 buildings or structures which are stated in the above-mentioned Certificate, have a total gross floor area of 5,152.00 sq.m. The 5 buildings or structures consist of a single storey workshop building (with canteen), a single storey storeroom, a single storey guardhouse, a 2-storey workshop and a 3-storey office staff quarters block. However, as the single storey guardhouse with a gross floor area of 60 sq.m. was demolished, the total gross floor area of the remaining buildings or structures should be 5,092.00 sq.m. instead of 5,152.00 sq.m. The title in respect of the property is vested in Shanghai Chau's Electrical Co. Ltd. (上海周氏電業有限公司), a 100% owned subsidiary of the Company.

   Brief details of the other three extensions to the 2-storey workshop and four structures, which do not have Certificates of Real Estate Ownership and which have a total gross floor area of 935 sq.m., are as follows:

Building	**GFA** *(sq.m.)*
3 single storey Extensions to the 2-storey Workshop	710.00
A single storey Electric Room	15.00
A single storey Compressor Room	15.00
Guardroom	15.00
Two sheds for storage	180.00
Total	935.00

3. There is a mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited in respect of the subject property registered under Banking Facility No. SIN070530 dated 16 July, 2007.

4. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:

   (i) Shanghai Chau's Electrical Co. Ltd. is in possession of a legal title to the property and is entitled to transfer, lease or mortgage the property with the residual term of the land use right at no additional premium or other costs payable to the government.

   In view of Notes 1 and 2 above, Shanghai Chau's Electrical Co Ltd. has a land use right relating to the property which comprises land and buildings.

   (ii) All land premium have been settled.

   (iii) The design, construction and completion of the aforementioned single storey workshop building (with canteen), the single storey storeroom, the 2-storey workshop and the 3-storey office staff quarters block which have Certificates of Real Estate Ownership, are in compliance with local planning regulations and have been approved by the relevant government authorities.

   (iv) Our valuation of the property is based on the above-mentioned land area of 13,901 sq.m. and total gross floor area of the above-mentioned single storey workshop building (with canteen), the single storey storeroom, the 2-storey of workshop and the 3-storey of office staff quarters block, which have Certificates of Real Estate Ownership, of 5,092.00 sq.m.

   (v) No market value is attributable to the three extensions to the 2-storey workshop and four structures which do not have Certificates of Real Estate Ownership due to the fact that these extensions and structures cannot be transferred although they may be used by the owner or occupier for their specific purposes.

   (vi) Our valuation of the property is based on a 100 per cent attributable interest.

   (vii) The property may be disposed of freely to purchasers within and outside the PRC.

5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development and use of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Qingpu County State-owned Land Use Right Sales Contract and Land No. 210 Qingpu County State-owned Land Use Conditions of Qingpu County, Shanghai Municipality No. Qing Fang Di (1997) Chu Rang He Tong Di 31	– obtained
Certificates of Real Estate Ownership Right (Hu Fang Di Qing Zi (1999) Di No. 002688)	– obtained
Business Licence(Registered No. Qi Du Hu Zong Fu Zi Di No. 007673 (Qingpu))	– issued

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2008
7.	The remaining portion of land situated off Huanchang North Road (formerly Beihuan Road), Changping Town, Dongguan, Guangdong Province, People's Republic of China.	The property comprises a parcel of vacant land of 154.48 mu (102,987.18 sq.m. approximately) which is the remaining portion derived from the main lot of land of 215.18 mu (143,454 sq.m.). The land is accessible from an access road which runs perpendicular to Huanchang North Road (formerly Beihuan Road) one of the main roads in the northern part of Changping Town and south-east of the city of Dongguan. The property is about 15 minutes' driving distance from the Changping Train Station. The land is more or less rectangular in shape, is vacant with the main portion of it unimproved and overgrown with grass and shrubs. The land is fenced and has an area of 154.48 mu (102,987.18 sq.m. approximately). However occupying one part of the land is a single storey workshop, which we are advised by the Company, has not been issued with a Certificate of Real Estate Ownership. The property has been granted a State-owned land use term of 50 years commencing on the date of issuance of the State-owned Land Use Certificate. Use of the property is for industrial purposes We are advised by the Company that it has no plans to develop the land at the present time. (We are advised by the Company that the property is also known as "A parcel of land and its construction site located in Mu Lun, Changping Town, Dongguan City, Guangdong Province, PRC").	As at the date of valuation, the property is vacant.	HK$32,318,000 (value attributable to Dongguan Hua Yi Brass Products Company Limited)

Notes:

1. The salient conditions in respect of the Land Sales Contract (土地出讓合同書) dated 28 January 1999, entered into between the People's Government of Changping Zhen (Asset and Property Management Company) (常平鎮人民政府（資產物業管理公司）(“Party A”) and Dongguan Hua Yi Brass Products Company Limited (東莞華藝銅業有限公司), (“Party B”) are as follows:

   a. Party A provides the land which is located at Beihuan Road (now known as Huanchang West Road) and has an area of 215.18 mu (143,454.05 sq.m.) with a land use term of 50 years commencing on the issuance date of the State-owned Land Use Certificate. Use of the land is for factory and other ancillary facilities.

   b. Party A is responsible for the application of the State-owned Land Use Certificate and also the related certificates.

   c. Party B has to pay the management fee of RMB1,000 per mu annually.

2. According to the Construction Land Use Planning Permit No. 2002-23-00015 (建設用地規劃許可證－編號2002-23-00015) dated 2 April 2002, issued by the Urban Construction Planning Bureau of Dongguan Municipality, this permit which is in respect of a land area of 40,470 sq.m. (60.70 mu) is issued to Dongguan Xin Bao Fine Chemical Co. Ltd. for its use. We are advised by the Group that the aforementioned subject land area of 154.48 mu (102,987.18 sq.m.) approximately is derived from the main lot of 215.18 mu (143,454.05 sq.m.). In other words, the land area of 154.48 mu (102,987.18 sq.m.) approximately forms part of the total land area of 215.18 mu (143,454.05 sq.m.) i.e. 215.18 mu (143,454.05 – 60.70 mu (40,470 sq.m.) = 154.48 mu (102,987.18 sq.m.).

3. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:

   (i) With regard to the title in respect of the property, the Group's PRC Lawyer has advised us that Dongguan Hua Yi Brass Products Company Limited (“Dongguan Hua Yi”) has fulfilled the following requirements:

      (a) According to the Land Sales Contract Dongguan Hua Yi has fully paid the land use fee (i.e. consideration for the land) to the Government and has fulfilled the obligations as stated in the Land Sales Contract.

      (b) Dongguan Hua Yi is in the process of applying for the State-owned Land Use Certificate in respect of the land.

      (c) Dongguan Hua Yi is the legal owner of the land.

      Based on points a, b and c above, the Group's PRC Lawyer has advised that Dongguan Hua Yi would have no problem in obtaining the aforementioned State-owned Land Use Certificate in the foreseeable future.

      In view of the foregoing, we have assumed that Dongguan Hua Yi has a pending legal title to the property.

      Dongguan Hua Yi has the right to use the land until the state-owned Land Use Certificate, which is being applied for, is obtained. The land use term of the Certificate shall be 50 years commencing on the date of issuance.

   (ii) All land premium have been settled.

   (iii) No market value is attritable to the aforementioned single storey workshop which has an area of 4,320 sq.m. as it has not been issued with a Certificate of Real Estate Ownership and therefore not capable of being transferred although it may be used by the owner.

   (iv) Our valuation of the property is based on the above-mentioned land area of 154.48 mu (102,987.18 sq.m. approximately).

   (v) Our valuation of the property is based on a 100 per cent attributable interest.

   (vi) The property may be disposed of freely to purchasers within and outside the PRC.

4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development and use of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Land Sales Contract (dated 28 January 1999)	– signed
Construction Land Use Planning Permit (No. 2002-23-00015)	– obtained
Dongguan Hua Yi Brass Products Company Limited – Business LicenceRegistration No. 441900400064289	– obtained

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2008
8.	Industrial complex situated at Huanchang North Road (formerly Beihuan Road), Mulun Administrative District, (Bu Tian), Changping Town, Dongguan, Guangdong Province, People's Republic of China.	The property comprises an industrial complex consisting of an office building, one main factory building, one dormitory building with canteen, one warehouse as well as three steel frame factories and eight structures occupying a parcel of land which has a frontage to Huanchang North Road (formerly Beihuan Road) within the Mulun Administrative District which is located in the north of Changping Town and south-east of the city of Dongguan. The property is about 15 minutes' driving distance from the Changping Train Station. All of the aforementioned buildings and structures are believed to have been built in 1998 or thereabouts.	As at the date of valuation, the property is occupied by Dongguan Hua Yi Brass Products Company Limited for the use as an industrial complex with workshops, office, warehouse, dormitory and ancillary purposes.	HK$51,528,000 (value attributable to Dongguan Hua Yi Brass Products Company Limited)

According to the Certificates of Real Estate Ownership Right, the abovementioned 4-storey office building has a gross floor area of 3,405.68 sq.m. whilst the main single storey factory building, the 6-storey dormitory building and the 2-storey to 3-storey warehouse have a gross floor area of 3,704.85, sq.m., 5,552.53 sq.m. and 2,897.52 sq.m. respectively which amount to a total gross floor area (GFA) of 15,560.58 sq.m.

Details of the other three steel frame factories and ten structures, which do not have the Certificates of Real Estate Ownership, are as follows:

Building	**GFA** *(sq.m.)*
3 steel frame factory buildings	13,824.00
Liquefaction Station (Duty Room)	32.00
Anneal Room	65.00
Fire Water Pool and Pump Room	200.25
Air Compressor Room	106.25
Cooling Tower Room	104.00
Oxygen Acetylene Storage	120.25
Electricity Switch Room	264.00
Lavatory	24.89
Guardroom	33.54
Lubrication Oil Pool	361.10
Total	15,135.28

The land is somewhat rectangular in shape and is paved, landscaped and fenced, and has an area of 51,976 sq.m.

The property has been granted a State- owned land use term of 50 years expiring on 27 August 2047 and use of the property is for industrial purposes.

Notes:

1. The salient conditions in respect of the Land Sales Contract (土地出讓合同書) dated 21 March 1997, entered into between the People's Government of Changping Town (常平鎮人民政府) ("Party A") and Chau's Electrical (BVI) Co. Ltd. (周氏電業(海外)有限公司), ("Party B") are as follows:

    a. Party A sells the land to Party B which is located at Beihuan Road (now known as Huanchang North Road) and has an area of 78.37 mu (52,246.93 sq.m.) with a land use term of 50 years commencing on the issuance date of the State-owned Land Use Certificate. Use of the land is for factory and other ancillary facilities.

    b. Party A is responsible for the application of the State-owned Land Use Certificate and also the related certificates.

    c. Party B has to pay the management fee of RMB1,000 per mu annually.

2. According to the State-owned Land Use Certificate – Dong Fu Guo Yong (1997) Zi Di Te No. 372 (國有土地使用證－東府國用(1997)字第特372號) dated 16 December 1997 issued by the People's Government of Dongguan Municipality, the land has an area of 51,976 sq.m. with a land use term of 50 years expiring on 27 August 2047 and the use of the land is for industrial purposes. The title in respect of the property is vested in Chau's Electrical (BVI) Co. Ltd. (周氏電業(海外)有限公司), a 100% owned subsidiary of the Company.

3. According to the Certificates of Real Estate Ownership Right – Yue Fang Di Zheng Zi Di Nos. 2480828, 2480829, 2480830 and 2480931 (房地產權證－粵房地證字第2480828, 2480829, 2480830及2480931號) all dated 7 July 2000, issued by the People's Government of Guangdong Province, the 5-storey office building (including roof) has a gross floor area of 3,405.68 sq.m. whilst the 2-storey factory building (including roof), 7-storey multi-purpose building (including roof) and the 4-storey warehouse (including roof) have gross floor areas of 3,704.85, sq.m., 5,552.53 sq.m. and 2,897.52 sq.m. respectively which amount to a total gross floor area (GFA) of 15,560.58 sq.m. The foundation areas of the aforementioned three buildings as stated in the aforementioned Certificates are respectively 844.66 sq.m., 2,906.08 sq.m., 930.59 sq.m. and 942.08 sq.m. The title in respect of the property is vested in Chau's Electrical (BVI) Co. Ltd. (周氏電業(海外)有限公司), a 100% owned subsidiary of the Company.

4. There is a mortgage in favour of Bank of China Holdings Limited Dongguan Branch in respect of the subject property registered under Maximum Limit of Collateral Contract No. GDY475970120050006.

5. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:

    (i) According to a Declaration of Trust dated 11 August, 2004 issued by Chau's Electrical (BVI) Co. Ltd., Chau's Electrical (BVI) Co. Ltd. holds the property on behalf of Dongguan Hua Yi Brass Products Company Limited. However, the right to transfer, lease or mortgage the property with the residual term of the land use right rests with Dongguan Hua Yi Brass Products Company Limited.

    In view of Notes 2 and 3 above, Dongguan Hua Yi Brass Products Company Limited has a land use right in respect of the property which comprises land and buildings.

    (ii) All land premium have been settled.

    (iii) The design, construction and completion of the aforementioned office building, the factory building, the dormitory building and the warehouse which have Certificates of Real Estate Ownership, are in compliance with local planning regulations and have been approved by the relevant government authorities.

    (iv) Our valuation of the property is based on the above-mentioned land area of 51,976 sq.m. and the total gross floor area of the above-mentioned office building, the factory building, the dormitory building and the warehouse which have Certificates of Real Estate Ownership Right, of 15,560.58 sq.m.

(v) No market value is attributable to the other three steel frame factories and ten structures which do not have Certificates of Real Estate Ownership Right due to the fact that these steel frame factories and ten structures cannot be transferred although they may be used by the owner or occupier for their specific purposes.

(vi) Our valuation of the property is based on a 100 per cent attributable interest.

(vii) The property may be disposed of freely to purchasers within and outside the PRC.

6. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development and use of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Land Sales Contract (dated 21 March 1997)	– signed
State-owned Land Use Certificate (Dong Fu Guo Yong (1997) Zi Di Te No. 372)	– obtained
Certificates of Real Estate Ownership Right (Yue Fang Di Zheng Zi Di Nos. 2480828, 2480829, 2480830 and 2480931)	– obtained
Chau's Electrical (BVI) Co. Ltd. Registration No. 106015	– obtained

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2008
9.	Land situated at Zhang Chun Gang Road, Anling Village, Xie Qiao Zhen, Jingjiang, Taizhou City, Jiangsu Province, People's Republic of China.	The property comprises a piece of vacant land situated at Zhang Chun Gang Road in Anling Village of Xie Qiao Zhen in the county-level city of Jingjiang which is under the jurisdiction of Taizhou Prefecture. Jingjiang, which lies on the northern bank of the Yangtze River, has been highlighted as a transportation hub connecting the north with the south of Jiangsu Province. The subject land is slightly low-lying but relatively level and is currently unimproved with part of the land overgrown with grass and shrubs. A large portion of the land is unfenced while some two-storey buildings have been erected near part of the boundaries of the land. The land is somewhat rectangular in shape and has an area of 33,171.00 sq.m. The property has been granted a State-owned land use term of 50 years expiring on 28 June 2057 and use of the property is for industrial purposes. We are advised by the Company that it has no plans to develop the land at the present time. (We are advised by the Company that the property is also known as "Land at An Ning Cun, Xie Qiao Zhen, Jing Jiang; Jiangsu Province, PRC").	As at the date of valuation, the property is vacant.	HK$5,311,000 (value attributable to Jingjiang Hua Ling Copper Products Co. Ltd.)

Notes:

1. The salient conditions in respect of the Agreement – Jing Kai Zhao She (Xin Gang) <2006> No. 19 (土地出讓合同書－靖開招協(新港)<2006>19號) dated 19 October 2006, entered into between the Xin Gang Yuan District Administrative Committee of Jingjiang Economic Development Zone of Jiangsu Province (江蘇省靖江經濟開發區新港園區管委會) ("Party A") and Jingjiang Hua Ling Copper Products Company Limited (靖江華凌銅業有限公司), ("Party B") are as follows:

    a. Party A provides the land which is located at Zhang Chun Gang Road, Xin Gang Yuan District, Jingjiang Economic Development Zone with an area of 50 mu (33,334 sq.m.). The actual area of the land is in accordance with the State-owned Land use Surveying Report of the land boundaries. The land use right in respect of the land is for a term of 50 years and use of the land is for production land purposes.

    b. One of the provisions of the related documents of Jiangsu Province states that the lowest protected sales price of the land is in the sum of RMB93,000 per mu. However, if Party B guarantees that after the full production capacity period, the total of the taxes payable to the State and Municipal Governments reaches RMB100,000 per mu, then the price for the land (land use right is for 50 years) is based on the calculation of RMB60,000 per mu which, based on 50 mu, amounts to a total sum of RMB3,000,000. The actual land area is in accordance with the State-owned Land Bureau's Surveying Report. The aforementioned sale price includes all the charges relating to the application and procedures of the acquisition of the land from the State-owned Land Department.

    c. If Party B pays less than RMB100,000 per mu of taxes after the full production capacity period, then in accordance with the related documents of the provisions of sale of land of Jiangsu Province, Party A has the right to ask Party B to pay not less than the protected price of RMB93,000 per mu for the land which amounts to a sum of RMB4,650,000. Therefore, Party B has to pay the difference of RMB1,650,000.

    d. Party A has reserved a piece of land with an area of 50 mu. for Party B's use in case of expansion and shall be based on renegotiated terms and conditions of sale.

2. According to the State-owned Land Use Certificate – Jing Guo Yong (2007) Di No. 1456 (國有土地使用證－靖國用(2007)第1456號) dated 23 November 2007, issued by the People's Government of Jingjiang Municipality, the land has an area of 33,171.00 sq.m. with a land use term of 50 years expiring on 28 June 2057. Use of the land is for industrial purposes. The title in respect of the property is vested in Jingjiang Hua Ling Copper Products Co. Ltd. (靖江華凌銅業有限公司), a 100% owned subsidiary of the Company.

3. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:

    (i) Jingjiang Hua Ling Copper Products Co. Ltd. is in possession of a legal title to the property and is entitled to transfer, lease or mortgage the property with the residual term of the land use right at no additional premium or other costs payable to the government.

    (ii) All land premium have been settled.

    (iii) The consideration in respect of the land is RMB2,985,420.00.

    (iv) Our valuation of the property is based on the above-mentioned land area of 33,171.00 sq.m. approximately.

    (v) No account is taken in our valuation of any land premium or other premium which might be payable upon development of the property in due course.

(vi) Our valuation of the property is based on a 100 per cent attributable interest.

(vii) The property may be disposed of freely to purchasers within and outside the PRC.

4. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development and use of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Agreement (Jing Kai Zhao She (Xin Gang) <2006> No. 19)	– signed
State-owned Land Use Certificate (Jing Guo Yong (2007) Di No. 1456)	– obtained
Business Licence Registration No. Qi Du Su Tai Zong Zi Di 001531	– obtained

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2008
10.	Industrial complex situated in Phase II, Nangang Industrial Development Zone, Shanghang County, Longyan, Fujian Province, People's Republic of China.	The property comprises an industrial complex consisting of sixteen industrial buildings and structures occupying a parcel of land within the Nangang Industrial Development Zone in Shanghang which is located to the west of the city of Longyan, a county-level city which is located to the south-west of the capital, Fuzhou and north-west of Zhangzhou City in Fujian Province. All of the aforementioned buildings and structures are believed to have been built in 2007 or thereabouts. Erected on the land are five factory buildings which are single storey to 4-storey in height, one 3-storey office building, one single storey plastic extraction room and nine single storey to 2-storey buildings and structures which consist of boiler room, distribution panels room, coal shelter, fire extinguish room, pump room, air compressor room, watchman room, room for other uses and lavatory. The total gross floor area of the aforementioned buildings and structures is 28,542.47 sq.m. The land is paved, landscaped and fenced, and has an area of 50,691.10 sq.m. The property has been granted a State-owned land use term of 50 years expiring on 31 December 2056 and use of the property is for industrial purposes. (We are advised by the Company that the property is also known as "Industrial complex located at Nangang Industrial Development Zone, Shanghang County, Longyan City, Fujian Province, PRC").	As at the date of valuation, the property is owner-occupied for use as industrial premises with workshops, office and ancillary purposes.	HK$46,556,000

Notes:–

1. The salient conditions in respect of the Project Setup Land Supply Agreement (入區項目供地協議書) dated 18 September 2006, entered into between Shanghang County Nangang Industrial Development District Office (上杭縣南崗工業開發區辦公室) ("Party A") and Fund Resources Electric Industry Co. Ltd. (Shanghang) (上杭建潤電業有限公司) ("Party B") are as follows:–

   a. Party A provides the land which is located at A4 of Phase II and has an area of 48,100 sq.m. approximately with a land use term of 50 years.

   b. Party B promises to generate RMB150 million as total investment outlay of the project.

   c. The construction period is from August 2006 to September 2007.

   d. The consideration in respect of the land is RMB30 per sq.m. which amounts to a total sum of RMB1,443,000.

   e. Party B has to fulfill the requirements of the construction standard as stated in the Contract. If the aforesaid requirements are not complied with, the preferential term of RMB30 per sq.m. will be cancelled and in such an event Party B has to pay the ordinary sale price of RMB50 per sq.m.

2. According to the Construction Land Use Planning Permit No. 2007-002 (建設用地規劃許可證－編號2007-002) dated 19 January 2007, issued by the Town and Village Construction Planning Bureau of Shanghang County, the land area in respect of the property is 48,090 sq.m. approximately.

3. According to the Construction Project Planning Permit No. 2007-001 (建設工程規劃許可證－編號2007-001) dated 4 January 2007, issued by the Town and Village Construction Planning Bureau of Shanghang County, the gross floor area of the construction project is 30,371 sq.m. approximately.

4. According to the State-owned Land Use Certificate – Shang Hang Zhen Guo Yong (2007) Di No. 0329 (國有土地使用證－上杭縣國用(2007)第0329號) dated 21 March 2007, issued by the People's Government of Shanghang County, the land has an area of 50,691.10 sq.m. with a land use term of 50 years expiring on 31 December 2056. Use of the land is for industrial purposes. The title in respect of the property is vested in Fund Resources Electric Industry Co. Ltd. (Shang Hang) (上杭建潤電業有限公司), a 100% owned subsidiary of Fund Resources.

5. According to the Construction Project Works Permit No. 352624200701260101 (建築工程施工許可證－編號352624200701260101) dated 26 January 2007, the commencing date of construction of the project is 1 August 2006 whilst the completion date is 31 January 2007.

6. According to the Certificates of Real Estate Ownership Right – Hang Fang Quan Zheng (2008) Zi Di Nos. 80411 and 80412 (房屋所有權證－杭房權證(2008)字第80411及80412號) both dated 4 May 2008 and issued by the Town and Village Construction Planning Bureau of Shanghang County, all of the sixteen buildings and structures have a total gross floor area of 28,542.47 sq.m. and use of the buildings and structures is for industrial purposes. The title in respect of the property is vested in Fund Resources Electric Industry Co. Ltd. (Shang Hang) (上杭建潤電業有限公司), a 100% owned subsidiary of Fund Resources.

The gross floor areas in respect of the sixteen buildings and structures as stated in the above-mentioned Certificates are listed as follows:–

Building No. and Name		No. of Storey	Gross Floor Area *sq.m.*	Certificate No.
1	Lavatory	1	22.47	)
2	Boiler Room	1	386.17	)
3	Coal Shelter	1	148.93	)
4	Fire Fighting Pump Room	1	48.75	)
5	Industrial Workshop	2	6,501.19	) Hang Fang Quan Zheng
6	Water Pump Room	2	107.43	) (2008) Zi Di No. 80411
7	Plasticizer Room	1	129.17	)
8	Industrial Workshop	4	4,641.86	)
9	Switch Board Room	2	231.08	)
10	Air Compressor Room	1	83.51	)
11	Industrial Workshop	1	3,959.45	)
12	Office Building	3	1,818.61	)
13	Building for other uses	1	481.54	) Hang Fang Quan Zheng
14	Watchman Room	1	59.75	) (2008) Zi Di No. 80412
15	Industrial Workshop	1	4,961.28	)
16	Industrial Workshop	1	4,961.28	)
Total			28,542.47	

7. There is a mortgage in favour of Industrial and Commercial Bank of China Limited Shanghang Sub-Branch in respect of the subject property registered under Contract-2007 Nian (Di) Zi No. 0009 dated 23 March 2007.

8. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:–

(i) Fund Resources Electric Industry Co. Ltd. (Shanghang) is in possession of a legal title to the property and is entitled to transfer, lease or mortgage the property with the residual term of the land use right at no additional premium or other costs payable to the government.

(ii) The outstanding amount of land premium in the sum of RMB643,000 out of a total sum of RMB1,443,000 will be settled within 3 months of the date of valuation.

(iii) The design, construction and completion of the aforementioned sixteen buildings and structures are in compliance with local planning regulations and have been approved by the relevant government authorities.

(iv) Our valuation of the property is based on the above-mentioned land area and total gross floor area of the buildings and structures.

(v) The consideration in respect of the land is RMB30 per sq.m. which amounts to a total sum of RMB1,443,000.

(vi) We are advised by the Company that the construction costs of the aforementioned buildings and structures amount to a total sum of RMB28,558,000.

(vii) Our valuation of the property is based on a 100 per cent attributable interest.

(viii) The property may be disposed of freely to purchasers within and outside the PRC.

9. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development and use of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:–

Project Setup Land Supply Agreement dated 18 September 2006	– signed
Construction Land Use Planning Permit (No. 2007-002)	– obtained
Construction Project Planning Permit (No. 2007-001)	– obtained
State-owned Land Use Certificate (Shang Hang Zhen Guo Yong (2007) Di No. 0329)	– obtained
Construction Project Works Permit (No. 352624200701260101)	– obtained
Certificates of Real Estate Ownership Right (Hang Fang Quan Zheng (2008) Zi Di No. 80411 and 80412)	– obtained
Business Licence Registration No. 350800400001041	– obtained

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2008
11.	Industrial complex situated at Nos. 66 and 69 Beiyuan Road, Dingshanhu Zhen, Kunshan, Jiangsu Province, People's Republic of China.	The property comprises an industrial complex which consists of several factory buildings and ancillary buildings as well as structures occupying two parcels of land at road level and situated at Beiyuan Road and Shuguang Road in Dingshanhu Zhen in the city of Kunshan, a secondary city located to the north-west of Shanghai between Shanghai and Suzhou on the south-eastern fringe of Jiangsu Province. The two parcels of land upon which the buildings and structures occupy are adjacent to each other, are level and each has a land area of 16,596.70 sq.m. and 33,879.50 sq.m. respectively making up a total land area of 50,476.20 sq.m. or thereabouts. Each of the parcels of land which forms a portion of the property is fenced with the main entrance to each portion secured with foldable rolling metal gates. The buildings which occupy the land comprise two factory buildings (for use as Moulding Workshop and Extrusion Workshop) and three dormitory buildings as well as ancillary structures which include two guard rooms, the latter being located at the entrances to the two portions of the property. The buildings are believed to have been built in 2005. According to the Construction Project Planning Permits, two proposed factory buildings (Workshop for Plastic and Workshop for Material) will be built on the northern fringe of the second parcel of land in the foreseeable future. According to the All Rights Certificates of Housing Ownership, the total gross floor area in respect of the completed two factory buildings and three dormitory buildings is 22,352.74 sq.m. We are advised by the Company that the total gross floor area in respect of the ancillary buildings and structures which do not have relevant permits including Certificates of Housing Ownerhip is 418.79 sq.m. Each of the parcels of land has been granted a State-owned land use term of 50 years expiring on 9 June 2054 and use of the property is for industrial purposes. (We are advised by the Company that the property is also known as "Factory at Nos. 66 and 69, Beiyuan Road, Dingshanhu Zhen, Kunshan, Jiangsu Province, PRC").	As at the date of valuation, the property is owner-occupied for use as industrial premises with workshops, warehouse, office, dormitory and ancillary purposes.	HK$62,489,000

Notes:–

1. According to the State-owned Land Use Certificates – Kun Guo Yong (2004) Zi Di Nos. 12004113046 and 12004113047 (國有土地使用證－昆國用(2004)字第12004113046及12004113047號) both dated 5 August 2004 and issued by the People's Government of Kunshan Municipality, each of the two parcels of land has an area of 16,596.70 sq.m. and 33,879.50 sq.m. respectively which make up a total land area of 50,476.20 sq.m. with each land use right for a term expiring on 9 June 2054. Use of the two parcels of land is for industrial purposes. The land use rights in respect of the two parcels of land are vested in Kunshan Chau's Electrical Co. Ltd. (昆山周氏電業有限公司), a 100% owned subsidiary of Solartech Enterprises.

2. According to the Construction Project Planning Permits – Zhen (2004) Nos. 2425, 2426, 2427, 2428, 2429, 2430, 2431 (建設工程規劃許可證－鎮(2004) 2425, 2426, 2427, 2428, 2429, 2430, 2431號), all dated 19 August 2004, issued by the Planning Bureau of Kunshan Municipality, the construction unit, Kunshan Chau's Electrical Co. Ltd., was permitted to build a single-storey factory building for use as Moulding Workshop, a single-storey factory building for use as Extrusion Workshop, a two-storey factory building for use as Plastic Workshop, a single-storey factory building as Material Workshop, a five-storey science building, a five-storey development research building and a five-storey office building. The latter three five-storey buildings known as Block A, Block B & C and Block D are now used as dormitory buildings. The total gross floor area in respect of all of the aforementioned buildings is 30,322 sq.m.

3. According to the Construction Project Works Permit No. 3205232004090104 (建設工程施工許可證 － 編號3205232004090104) dated 3 September 2004, issued by the Construction Bureau of Kunshan Municipality, the project is to construct a single-storey factory building to be used as Moulding Workshop, a single-storey factory building to be used as Extrusion Workshop, a five-storey science building, a five-storey development research building and a five-storey office building. The latter three five-storey buildings known as Block A, Block B & C and Block D are now used as dormitory buildings. The total gross floor area in respect of all of the aforementioned buildings is 22,295 sq.m.

4. According to the All Rights Certificates of Housing Ownership, Kun Fang Quan Zheng Ding Shan Hu Zi Di Nos. 211002521 and 211002522 (房屋所有權證－昆房權證定山湖字第211002521及211002522號), both dated 19 March 2007, issued by the People's Government of Kunshan Municipality, the two factory buildings and three dormitory buildings have total gross floor areas of 12,124.39 sq.m. and 10,228.35 sq.m. respectively. Use of the property is for enterprise office, scientific research and industrial building purposes. The titles in respect of the All Rights Certificates of Housing Ownership are vested in Kunshan Chau's Electrical Co. Ltd. (昆山周氏電業有限公司), a 100% owned subsidiary of Solartech Enterprises. The breakdown in the gross floor area of each of the buildings is as follows:–

	Gross Floor Area *(sq.m.)*	**No. of Storey**
Dormitory (A)	2,382.68	5
Dormitory (B and C)	5,387.97	5
Dormitory (D)	2,457.70	5
Factory (Moulding Workshop)	6,923.28	1
Factory (Extrusion Workshop)	5,201.11	1
Total:	22,352.74	

5. There are three mortgages in favour of Agriculture Bank of China Kunshan City Sub-Branch in respect of the subject property registered under Maximum Limit of Collateral Contract-06115 Nong Yin Guo Di Zi 2008 Di Nos. 0013, 0014 and 0015 all dated 20 April 2008.

6. We have relied on all the information as provided to us by the Group and the legal opinion of the Group's PRC lawyers and we have prepared our valuation on the following bases:–

(i) Kunshan Chau's Electrical Co. Ltd. is in possession of a legal title to the property and is entitled to transfer, lease or mortgage the property with the residual term of the land use right at no additional premium or other costs payable to the government.

(ii) The consideration in respect of the land is RMB50,000 per mu which amounts to a total sum of RMB3,785,715.00.

(iii) All land premium have been settled.

(iv) The design, construction and completion of the aforementioned two factory buildings and dormitory buildings are in compliance with local planning regulations and have been approved by the relevant government authorities. We have assumed that the scientific research building, the development research building and the office building (known as Block A, Block B & C and Block D) which are occupied as dormitory buildings have been approved by the relevant government authorities for use as dormitories.

(v) Our valuation of the property is based on the land area of the first parcel of land of 16,596.70 sq.m. and the land area of the second parcel of land of 33,879.50 sq.m. as well as the total building area or gross floor area of 22,352.74 sq.m. in respect of the aforementioned factory buildings and dormitory buildings.

(vi) We are advised by the Company that the construction costs of the aforementioned buildings and structures which have been issued with Certificates of Real Estate Ownership amount to a total sum of RMB55,458,000.

(vii) With regard to the aforementioned ancillary buildings and structures which do not have Construction Project Works Permits or Completion of Construction Project Inspection Certificates or Certificates of Housing Ownership, we have not placed a market value on these buildings and structures as they are not capable of being transferred without the aforementioned Permits or Certificates.

(viii) Our valuation of the property is based on a 100 per cent attributable interest.

(ix) The property may be disposed of freely to purchasers within and outside the PRC.

7. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development and use of the property interest in accordance with information provided to us by the Group and the legal opinion of the Group's PRC lawyers are as follows:–

State-owned Land Use Certificate (Kun Guo Yong (2004) Zi Di 12004113046 and 12004113047)	– obtained
Construction Project Planning Permits (Zhen (2004) Nos. 2425, 2426, 2427, 2428, 2429, 2430, 2431)	– obtained
Construction Project Works Permit (No. 3205232004090104)	– obtained
All Rights Certificates of Housing Ownership (Kun Fang Quan Zheng Ding Shan Hu Zi Di Nos. 211002521 and 211002522)	– obtained
Business Licence Registration No. Qi Du Hu Zong Fu Zi Di No. 007673 (Qing Pu)	– obtained

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Underwriter) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinion expressed in this circular (other than those expressed by the Underwriter) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

Mr. Chau, Mr. Lau and Toprun Holdings Limited, being the directors of the Underwriter, jointly and severally accepts full responsibility for the accuracy of the information in this circular (other than those relating to the Group) and confirms, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained in this circular misleading.

2. SHARE CAPITAL

The authorised and issued and fully paid up share capital of the Company as at the Latest Practicable Date was as follows:

Authorised:		*HK$*
30,000,000,000	Shares	300,000,000
Issued and fully paid:		
603,654,362	Shares	6,036,544

The authorised and issued and fully paid up share capital of the Company upon the completion of the Solartech Open Offer will be as follows:

Authorised:		*HK$*
30,000,000,000	Shares	300,000,000
Issued and fully paid:		
603,654,362	Shares as at the Latest Practicable Date	6,036,544
2,414,617,448	Solarech Open Offer Shares to be issued pursuant to the Solartech Open Offer	24,146,174
3,018,271,810	Shares upon completion of the Solartech Open Offer	30,182,718

No share had been issued since 30 June 2008 (the date to which the latest audited consolidated financial statements of the Company were made up) up to the Latest Practicable Date.

All the existing Shares in issue rank pari passu in all respects with each other including as regards to the rights to dividends, voting and return of capital. 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 and issue of the Solartech Open Offer Shares. The Solartech Open Offer Shares to be allotted and issued will, when allotted and issued and fully paid, rank pari passu in all respects with the existing Shares.

The Company had no other outstanding convertible securities, options or warrants in issue which conferred any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

3. MARKET PRICES

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the Last Trading Day; (ii) the last trading day of each of the six calendar months before the Latest Practicable Date; and (iii) the Latest Practicable Date.

Date	**Share price**
	HK$
30 May 2008	0.37
30 June 2008	0.35
31 July 2008	0.245
29 August 2008	0.194
30 September 2008	0.13
31 October 2008	0.042
28 November 2008	0.053
Last Trading Day	0.055
Latest Practicable Date	0.053

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing six months prior to the date of the Announcement up to and including the Latest Practicable Date were HK$0.37 per Share on 11 June 2008 and 18 June 2008 and HK$0.032 per Share on 28 October 2008 respectively.

4. DISCLOSURE OF INTERESTS

4.1 Directors' and chief executives' interests in securities of Solartech and its associated corporations

As at the Latest Practicable Date, the interests and short positions held by the directors and chief executives of Solartech in the shares, underlying shares and debentures of Solartech and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to Solartech and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to Solartech and the Stock Exchange were as follows:

(a) Long positions in Shares

Number of director	Class of shares	Capacity in which the Shares are held	Number of Shares interested	Approximate shareholding
Mr. Chau	Ordinary shares	Beneficial owner	132,692,000	21.98%

Note: The 50,700,000 Shares, representing approximately 8.40% of the issued share capital of the Company, is owned by Mr. Chau. The 81,992,000 Shares, representing approximately 13.58% of the issued share capital of the Company, is held by Chau's Family 1996 Limited which is wholly owned by Mr. Chau.

(b) Long positions in shares of associated corporation – Hua Yi

Number of director	Class of shares	Capacity in which the Shares are held	Number of shares interested	Approximate shareholding
Mr. Chau	Ordinary shares	Beneficial owner	578,800	0.33%

Mr. Chau, being a director of the Company and Hua Yi, is also the sole director and sole shareholder of Chau's Family 1996 Limited. Save as disclosed above, none of the directors and chief executives of the Company had any interest or short position in any share, underlying share or debenture of the Company or any associated corporation (within the meaning of Part XV of the SFO) as at the Latest Practicable Date.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the directors and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4.2 Substantial shareholders' and other persons' interests in securities of the Company

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the Shareholders (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities, together with particulars of any options in respect of such capital, were as follows:

Long positions in shares of the Company

Name of substantial shareholder	Capacity in which the shares are held	Number of shares interested	Approximate shareholding
Chau's Family 1996 Limited	Beneficial owner	81,992,000 *(Note)*	13.58%
Yin Jin Hua	Beneficial owner	35,700,000	5.91%

Note: The 81,992,000 Shares are held by Chau's Family 1996 Limited which is wholly owned by Mr. Chau.

Other persons having interests or short positions in other members of the Group

Name of Company's subsidiary	Substantial shareholder of such subsidiary	Nature of interest	Number of existing shares/fully paid registered capital	Percentage of issued share capital/ registered capital
東莞新寶精化有限公司 Dongguan Xin Bao Precision Chemcial Co., Ltd.	Luckyman Assets Management Limited	Beneficial owner	HK$6,750,000	14.24%
FT Multi-Media Limited	Nobleman Holdings Limited	Beneficial owner	4,000 shares	40%

Save as disclosed above, so far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

Save as disclosed above, none of the directors of the Company has or has had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 30 June 2008, being the date to which the latest published audited accounts of the Company were made up.

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, other than the fact (i) the following Directors are also directors of certain members in the Hua Yi Group as set out below and in the Fund Resources Group and the Solartech Enterprises Group, both of which will form part of the Hua Yi Group once Completion of the Fund Resources Agreement and the Solartech Enterprises

Agreement takes place and (ii) Mr Chau Lai Him is interested in 578,800 shares of Hua Yi, none of the Directors or their respective associates has any interest in a business which competes or is likely to compete with the business of the Group:

Name of Director	Other Relevant Positions
Chau Lai Him	• executive director of Hua Yi • executive director of Fund Resources • executive director of Fund Resources Electric Industry Co. Ltd (Shang Hang) (上杭建潤電業有限公司) • executive director of Solartech Enterprises • executive director of Kunshan Chau's Electric Co Ltd (昆山周氏電業有限公司)
Zhou Jin Hua	executive director of Fund Resources Electric Industry Co. Ltd (Shang Hang) (上杭建潤電業有限公司)

6. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

(a) Save for the 132,692,000 Shares, directly and indirectly, held by Mr. Chau and the purchase of 860,000 Shares by him on the market on 10 July 2008 and 15 July 2008, none of the Underwriter and parties acting in concert with it and any of its directors owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, none of them had dealt for value in any such securities of the Company during the period starting six months prior to 10 December 2008 (being the date of the Announcement) and ending on the Latest Practicable Date.

(b) As at the Latest Practicable Date, save for the undertakings given by Mr. Chau in respect of the 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 detailed in the section headed "Underwriting arrangements" in the Letter from the Board, Mr. Chau has indicated that neither he/his associates will take up their assured entitlements under the Solartech Open Offer, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Underwriter or any of its concert parties and other persons in relation to the transfer, charge or pledge of the Shares that may be issued and allotted to the Underwriter or any of its concert parties under the Solartech Open Offer.

(c) As at the Latest Practicable Date, no person with the Underwriter or any person acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code owned or controlled any shareholding in the Company.

(d) As at the Latest Practicable Date, there was no shareholding in the Company owned or controlled by any persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code.

(e) As at the Latest Practicable Date, save for Mr. Chau interested in 74% in the shares of the Underwriter, none of the Company and the Directors held any shares, convertible securities, warrants, options and derivatives in respect of shares of the Underwriter and none of them had dealt for value in any shares, convertible securities, warrants, options and derivatives in respect of shares of the Underwriter for the period commencing six months prior to the date of the Announcement and ending on the Latest Practicable Date.

(f) As at the Latest Practicable Date, Mr. Chau was interested in 132,692,000 Shares representing approximately 22.0% of the existing issued share capital of the Company. Save as aforesaid, none of the Directors, directors of the Underwriter held any shares, convertible securities, warrants, options and derivatives in respect of the Shares as at the Latest Practicable Date. Save for the purchase of 860,000 Shares by Mr. Chau on the market in July 2008 prior to the discussion and negotiation of the matters as disclosed in the Announcement, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares for the period commencing six months prior to the date of the Announcement and ending on the Latest Practicable Date.

(g) As at the Latest Practicable Date, none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of a subsidiary of the Company; (iii) any advisers to the Company (as specified in class (2) of the definition of "associate" under the Takeovers Code) had any interest in the Shares, convertible securities, warrants, options or derivatives of the Company and none of them had dealt for value in any securities of the Company for the period commencing six months prior to the date of the Announcement and ending on the Latest Practicable Date.

(h) As at the Latest Practicable Date, no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers connected with the Company.

(i) As at the Latest Practicable Date, none of (i) Mr. Chau, the Underwriter or its ultimate beneficial owners; and (ii) the Company or the Directors, has borrowed or lent the share in the Company.

(j) As at the Latest Practicable Date, there was no shareholding in the Company owned or controlled by any persons who, prior to the posting of this circular, had irrevocably committed themselves to vote for or against the resolutions to be proposed at the SGM to approve the Solartech Open Offer and Whitewash Waiver.

(k) No benefit (other than statutory compensation) will be given to any Director as compensation for loss of office in any member of the Group or otherwise in connection with the Solartech Open Offer and/or the Whitewash Waiver.

(l) As at the Latest Practicable Date, save for that (i) the Underwriter may terminate the arrangements set out in the Underwriting Agreement as mentioned in the section headed "Termination of the Underwriting Agreement" in the letter from the Board; (ii) the undertakings given by Mr. Chau in respect of the Shares beneficially owned by him will not be disposed of from the date of the undertaking up to and including the Record Date; and (iii) subject to the underwriting arrangement by the Underwriter as detailed in the section headed "Underwriting arrangements" in the Letter from the Board, Mr. Chau has indicated that neither he/his associates will take up their assured entitlements under the Solartech Open Offer, there was no agreement, arrangement or understanding (including any compensation arrangement) existed between Mr. Chau and the Underwriter or any parties acting in concert with them and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Solartech Open Offer and/or the Whitewash Waiver.

(m) As at the Latest Practicable Date, there was no material contract entered into by the Underwriter in which a Director had a material personal interest.

(n) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Solartech Open Offer and the Whitewash Waiver or otherwise connected with the Solartech Open Offer and the Whitewash Waiver.

(o) As at the Latest Practicable Date, there was no shareholding in the Company owned or controlled by any persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Underwriter and Mr. Chau or any parties acting in concert with them.

7. DIRECTORS' SERVICE CONTRACTS

None of the Directors has any existing or proposed service contracts with any respective members of the Enlarged Group, excluding contracts expiring or determinable by any respective members of the Enlarged Group within one year without payment of any compensation other than statutory compensation.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have issued letters which are contained in this circular:

Name	Qualification
Shu Lun Pan Horwath Hong Kong CPA Limited (“SLP Horwath”)	Certified Public Accountants
Chung, Chan & Associates (“CCA”)	Professional valuers
Kingsway Capital Limited	A licensed corporation to carry out types 1 and 6 regulated activities under the SFO

SLP Horwath, CCA and Kingsway have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their respective letters and reports (as the case may be) and references to their respective names, in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of SLP Horwath, CCA or Kingsway was beneficially interested in the share capital of any member of the Enlarged Group, nor did they have any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group, nor did they have any interest, either direct or indirect, in any assets which had been since 30 June 2008 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Enlarged Group or which were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Enlarged Group within 2 years preceding the date of the Announcement and up to the Latest Practicable Date and are or may be material:

(a) The Agreements.

(b) The Underwriting Agreement.

(c) On 21 February 2008, Hua Yi entered into a framework agreement (the “Framework Agreement”) with China Alliance International Holding Group Limited and Shougang Holdings Limited (the “Counter Parties”), pursuant to which Hua Yi and the Counter Parties agreed to co-operate in metals and minerals exploration and mining particularly iron ore in the PRC and other jurisdictions, and Hua Yi agreed to grant to the Counter Parties a first right of refusal in (a) co-operating and investing in the mining projects chosen by Hua Yi and (b) purchasing any iron ore and iron ore powder generated from such mining projects at favorable market price. In addition, subject to fulfillment of certain conditions set out in the Framework Agreement, Hua Yi agreed to grant to the Counter Parties jointly an option to subscribe for 105,000,000 shares in Hua Yi at the exercise price of HK$0.614 per share in Hua Yi in parts or in whole at any time within 5 years from the date of grant of the option. Details of the Framework Agreement and the option are set out in the joint announcement of Hua Yi and the Company dated 26 February 2008. As the parties have yet to agree on the mode and terms of cooperation, the parties have entered into a termination deed on 16 May 2008 whereby all parties have mutually agreed to terminate the Framework Agreement. Reference is made to the announcement dated 16 May 2008 jointly issued by the Company and Hua Yi.

(d) On 16 January 2008, the Company announced that the Company and certain entities who are involved in the business of automatic production of cordsets in Europe with branch in the PRC (the "Proposed Sellers") entered into a memorandum of understanding (the "MOU") in respect of a proposed acquisition by the Company of certain businesses and assets of the Proposed Sellers including, among other things, the manufacture, sale, marketing and distribution of power cords, tangible assets (including equipment for bipolar rubber and PVC cords), approvals, authorisations and certifications that are required for the manufacture, sale, marketing or distribution of plugs (the "Business"). The proposed acquisition is subject to various conditions and the entering into of definitive legally binding documentation. However, the MOU constitutes the legally binding obligation on, inter alia, (i) the Proposed Sellers not to discuss or negotiate with other third parties in relation to any disposal of the Business; and (ii) the parties as to confidentiality for up to three years after termination of the MOU. Details of the proposed acquisition were set out in the announcement of the Company dated 16 January 2008. Further announcements on the proposed acquisition will be made in accordance with the Listing Rules if and when the Company proceeds with the proposed acquisition.

(e) On 7 October 2007, Hua Yi entered into a share purchase agreement with Belleview Global Limited ("Belleview") (the "Share Purchases Agreement") pursuant to which Hua Yi agreed to acquire (the "Acquisition") the entire issued share capital of Yeading Enterprises Limited ("Yeading") for a consideration which comprises of (i) a cash amount of HK$61,118,000 equivalent of RMB55,000,000 (subject to adjustment, if applicable) payable by Hua Yi at completion; (ii) HK$110,000,000 payable by the issuance of 100,000,000 shares in Hua Yi (the "Consideration Shares") to Belleview at completion; and (iii) the grant by Hua Yi to Belleview at completion of an option to subscribe for up to 50,000,000 shares in Hua Yi (the "Option Shares") at the exercise price of HK$1.10 per option share during the period of 5 years from the business day immediately following the date of the option agreement, pursuant to a call option agreement (the "Call Option

Agreement") to be entered into between Hua Yi and Belleview at completion. On 22 April 2008, Hua Yi and the Company jointly announced that, following the satisfaction or waiver of all the conditions precedent to the Acquisition, completion of the Acquisition took place on 22 April 2008. In accordance with the Share Purchases Agreement, the Consideration Shares have been allotted and issued to Belleview. As the Call Option Agreement was cancelled by mutual agreement of the parties, there would be no other shares of Hua Yi Copper to be issued in connection with the Acquisition other than the Consideration Shares issued to Belleview on 22 April 2008. As a result, Hua Yi Copper has ceased to be a subsidiary of the Company upon completion. Details of the Acquisition and related transactions were set out at pages 11 and 12 of the 2008 annual report of the Company.

(f) On 29 August 2007, Skywalk Assets Management Limited ("Skywalk"), a wholly-owned subsidiary of the Company and the then controlling shareholder of Hua Yi, entered into a placing and subscription agreement with Hua Yi and Kingston Securities under which Skywalk agreed to place, through Kingston Securities, 80,000,000 existing shares in Hua Yi to independent investors at HK$0.96 per share and subsequently to subscribe for 80,000,000 new shares in Hua Yi at the subscription price of HK$0.96 per new shares in Hua Yi (the "Placing and Top-Up Subscription"). The Placing and Top-Up Subscription was completed on 7 September 2007. Details of the Placing and Top-Up Subscription were set out in the joint announcement of Hua Yi and the Company dated 31 August 2007.

(g) On 13 August 2007, Mr. Chau Lai Him and Chau's Family 1996 Limited (the "Vendors"), Kingston Securities and the Company entered into a top-up placing agreement, pursuant to which the Vendors agreed to place, through Kingston, an aggregate of 97,000,000 Shares, on a fully underwritten basis, to independent investors at a price of HK$0.68 per placing Share and subscribe for an aggregate of 97,000,000 new Shares at a price of HK$0.68 per Share (the "Top-Up Placing"). The net proceeds from the Top-Up Placing amounted to approximately HK$63.8 million. Approximately HK$25 million of the net proceeds was intended to be used for general working capital of the Group and the remaining approximately HK$38.8 million was intended to be used for implementation of business expansion in the Group's business operation in Brazil. The Top-Up Placing was completed on 22 August 2007. Details of the Top-Up Placing were set out in the announcement of the Company dated 13 August 2007.

(h) On 25 June 2007, Hua Yi and CCB International Capital Limited (the "Placing Agent") entered into a placing agreement pursuant to which the Placing Agent agreed to place 30,000,000 ordinary shares of HK$0.20 each in the capital of Hua Yi a price of HK$1.20 per share on a best effort basis (the "Placing"). The Placing was completed on 10 July 2007 and a total of 30,000,000 ordinary shares of HK$0.20 each in Hua Yi were placed. The details of the Placing were set out in the circular dated 19 July 2007.

(i) On 21 May 2007, Hua Yi and the Company jointly announced that Brightpower Assets Management Limited ("Brightpower"), a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of Hua Yi, entered into a conditional sale and purchase agreement (the "SPA") on 19 May 2007 with Eternal Gain Investments Limited ("Eternal Gain"), a company incorporated in the British Virgin Islands and Kong Sun Holdings Limited ("Kong Sun"), a company incorporated in Hong Kong whose shares are listed on the Stock Exchange and which holds 100% shareholding of Eternal Gain. Pursuant to the SPA, Brightpower agreed to sell and Eternal Gain agreed to purchase the entire issued share capital of each of FT Far East Limited ("FTFE") and FT China Limited ("FTC"), being the Sale Companies and direct wholly-owned subsidiaries of Brightpower, and an indebtedness in the sum of HK$80,786,000 owed by FTFE to Brightpower shall be assigned by Brightpower to Eternal Gain, for an aggregate consideration of HK$60 million. The aggregate consideration will be settled partly by way of Kong Sun executing upon the completion date a promissory note in the amount of HK$20 million to Brightpower and partly by way of Kong Sun issuing upon the completion date the convertible bonds for an aggregate principal amount of HK$40 million ("Convertible Bonds") to Brightpower or its nominees as Brightpower may direct. Pursuant to the SPA, completion is subject to the satisfaction of certain conditions precedent on or before a long stop date, being 30 September 2007 or such other date as the parties thereto may otherwise agree.

Details of FTFE, FTC and the transactions contemplated under the SPA were set out at pages 9 and 10 of the 2008 annual report of the Company.

On 20 September 2007, Hua Yi and the Company jointly announced that the parties of the SPA entered into a supplemental agreement (the "First Supplement Agreement") on 19 September 2007 to (i) extend the long stop date to 31 December 2007 or such other date as the parties thereto may agree, (ii) amend certain terms of the form of the bonds instrument to be executed by Kong Sun by way of a deed poll constituting the Convertible Bonds, and (iii) amend the reference period for the profit guarantee and the net asset value guarantee made by Brightpower in the SPA to the period commencing from 1 July 2007 to 30 June 2008. The details of other material terms of the First Supplemental Agreement were set out in the joint announcement of Hua Yi and the Company dated 20 September 2007.

On 17 December 2007, Hua Yi and the Company jointly announced that the parties to the SPA entered into a letter agreement to further extend the long stop date to 29 February 2008 or such other date as the parties thereto may agree. On 28 February 2008, Hua Yi and the Company jointly announced that the parties to the SPA entered into a supplemental agreement to further extend the long stop date to 31 May 2008 or such other date as the parties thereto may agree.

On 20 May 2008, Hua Yi and the Company jointly announced that the parties to the SPA entered into a supplemental agreement to further extend the long stop date to 30 September 2008 or such other date as the parties thereto may agree. On 2 October 2008, Hua Yi and the Company jointly announced that the parties to the SPA entered into a supplemental agreement to further extend the long stop date to 31 December 2008 or such other date as the parties thereto may agree.

On 16 December 2008, Hua Yi and the Company jointly announced that all conditions precedent to the completion of the Disposal had been fulfilled and the completion took place on 16 December 2008. Upon the completion, the Brightpower received the adjusted aggregate consideration of approximately HK$53.4 million, settled partly by way of Kong Sun executing a promissory note in an amount of approximately HK$13.4 million to the Vendor and partly by way of Kong Sun issuing convertible bonds for a principal amount of HK$40 million to the Vendor, as adjusted in accordance with the terms of the Sale and Purchase Agreement (as amended).

(j) On 10 April 2007, Hua Yi entered into a letter of intent ("LOI") with 江西華贛磊鑫銅業有限公司 (Jiangxi Huagan Leixin Copper Co., Ltd.), pursuant to which, Hua Yi agreed conditionally to acquire 51% equity interests in 江西鴻陽銅業有限公司 (Jiangxi Hongyang Copper Co., Ltd), a company which was engaged in the production of copper materials and sulphuric acid and with plans to engage in the copper mining business ("Proposed Acquisition"). Details of the material terms of the LOI can be found in the joint announcement made by Hua Yi and the Company on 11 April 2007. On 28 September 2007, Hua Yi and the Company jointly announced that, as the conditions under the LOI had not been fulfilled, the parties to the LOI had agreed not to proceed with the Proposed Acquisition.

(k) On 16 February 2007, the Company and 北京福斯汽車電線有限公司 (Beijing Force Automotive Wire Co. Ltd) entered into a memorandum of understanding (the "Memorandum"), pursuant to which the parties agreed conditionally to the establishment of a joint venture company in the PRC to engage in the manufacturing and sales of automotive harness and cables. The details of the material terms of the Memorandum were set out in the Company's announcement dated 21 February 2007. On 28 September 2007, the Company announced that, as the conditions under the Memorandum had not been fulfilled, the parties have agreed not to proceed with the proposed transaction.

10. LITIGATION

As at the Latest Practicable Date, the Directors (so far as it relates to the Group) are not aware of any litigation or claims of material importance pending or threatened against any member of the Enlarged Group.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company principal place of business at No. 7, 2/F., Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon Hong Kong, during normal business hours from the date of this circular up to and including 19 January 2009:

(i) the memorandum of association and the articles of association of the Company;

(ii) the annual reports of the Company for each of the two years ended 30 June 2007 and 30 June 2008;

(iii) the letter from Kingsway containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from Kingsway" in this circular;

(iv) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(v) the property valuation report of the Enlarged Group as set out in Appendix XI to this circular;

(vi) the accountants' report on the HY Products Group as set out in Appendix IV to this circular;

(vii) the accountants' report on the Modern China Group as set out in Appendix V to this circular;

(viii) the accountants' report on the Solartech Enterprises Group as set out in Appendix VIII to this circular;

(ix) the accountants' report on the Fund Resources Group as set out in Appendix IX to this circular;

(x) the unaudited pro forma financial information as set out in Appendix X to this circular;

(xi) the material contracts referred to in the paragraph headed "Material contracts" above;

(xii) the written consent referred to in the paragraph headed "Experts and consents" of this Appendix;

(xiii) a copy of each of the circulars issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules which have been issued by the Company since 30 June 2008 (the date to which the latest published audited consolidated financial statements of the Group were made up);

(xiv) the undertakings given by Mr. Chau in respect of undertaken to the Company that the 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;

(xv) the Underwriting Agreement;

(xvi) the Agreements; and

(xvii) this circular.

Copies of the above documents will be available for inspection on the Company's website at www.1166hk.com and the SFC's website at www.sfc.hk during the period from the date of this circular up to and including completion of the Solartech Open Offer.

12. PARTIES INVOLVED IN THE SOLARTECH OPEN OFFER AND CORPORATE INFORMATION

Head office and principal place of business	No. 7, 2/F Kingsford Industrial Centre 13 Wang Hoi Road Kowloon Bay Kowloon Hong Kong
Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda

Joint financial advisers	Optima Capital Limited Unit 3618, 36th Floor, Bank of America Tower, 12 Harcourt Road, Central Hong Kong
	Kingston Corporate Finance Limited Suite 2801, 28/F One International Finance Centre 1 Harbour View Street Central Hong Kong
Underwriter	Venture Success Holdings Limited No. 7, 2/F Kingsford Industrial Centre 13 Wang Hoi Road Kowloon Bay Kowloon Hong Kong
Legal advisers	*On Hong Kong Law* Herbert Smith 23/F, Gloucester Tower 15 Queen's Road Central Hong Kong
	On Bermuda Law Conyers Dill & Pearman 2901, One Exchange Square 8 Connaught Place Central Hong Kong
Auditor	Shu Lun Pan Horwath Hong Kong CPA Limited *Certified Public Accountants* 20/F, Central Plaza 18 Harbour Road Wanchai Hong Kong

Principal bankers	Banco De Oro Unibank, Inc., Hong Kong Branch CITIC Ka Wah Bank Limited DBS Bank (Hong Kong) Limited Standard Chartered Bank (Hong Kong) Limited The Hong Kong and Shanghai Banking Corporation Limited Wing Hang Bank, Limited
Bermuda Principal share registrar and transfer office	Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke Bermuda
Hong Kong branch share registrar and transfer office	Tricor Secretaries Limited 26/F Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Authorised representatives	Chau Lai Him Chan Kam Yee

13. GENERAL

(a) The company secretary of the Company is Ms. Chan Kam Yee. Ms. Chan is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

(b) The qualified accountant of the Company is Ms. Chan Kam Yee. Ms. Chan is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

(c) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(d) The head office of the Company is at No. 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.

(e) The transfer office of the Company is at Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(f) The address of Mr. Chau is No. 7, 2/F Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.

(g) The Underwriter is owned as to 74% by Mr. Chau, being its ultimate controlling shareholder, and 26% by Mr. Lau. Mr. Chau, Mr. Lau and Toprun Holdings Limited are directors of the Underwriter. Toprun Holdings Limited is wholly-owned by Mr. Lau and the sole director of Toprun Holdings Limited is Mr. Lau.

(h) The English language text of this circular shall prevail over the Chinese language text.

SOLARTECH INTERNATIONAL HOLDINGS LIMITED
榮盛科技國際控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1166)

NOTICE IS HEREBY GIVEN that a special general meeting of SOLARTECH INTERNATIONAL HOLDINGS LIMITED (the "Company") will be held at Meeting Room 5, 7/F, HITEC, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on 19 January 2009 at 9:30 a.m. for the purpose of considering and, if thought fit, with or without modification, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **THAT** the following agreements and the performance and implementation of the transactions contemplated under each agreement be and are hereby approved:–

   (a) the conditional sale and purchase agreement dated 5 December 2008 (a copy of which has been produced to this meeting marked "A" and initialled by the chairman of the meeting for the purpose of identification) entered into among Solartech International Holdings Limited (the "Company") as purchaser, Hua Yi Copper Holdings Limited ("Hua Yi") as guarantor and Wah Yeung Capital Resources Limited (a wholly-owned subsidiary of Hua Yi) ("Wah Yeung") as vendor in relation to the sale and purchase of 1 share of HK$1.00 in the share capital of Modern China Enterprises Limited ("Modern China") and 5,000,000 shares of HK$1.00 each in the share capital of Hua Yi Copper Products Company Limited ("HY Products") together with the shareholder's loan owed by HY Products and its subsidiaries to Wah Yeung;

   (b) the conditional sale and purchase agreement dated 5 December 2008 (a copy of which has been produced to this meeting marked "B" and initialled by the chairman of the meeting for the purpose of identification) entered into among the Company as guarantor, Chau's Electrical Company Limited (a wholly-owned subsidiary of the Company) ("Chau's Electrical") as vendor and Hua Yi as purchaser in relation to the sale and purchase of 1 shares of HK$1.00 in the share capital of Fund Resources Limited ("Fund Resources"), together with the shareholder's loan owed by Fund Resources and its subsidiary to Chau's Electrical;

* *for identification purpose only*

(c) the conditional sale and purchase agreement dated 5 December 2008 (a copy of which has been produced to this meeting marked "C" and initialled by the chairman of the meeting for the purpose of identification) entered into among the Company as guarantor, Chau's Industrial Investments Limited (a wholly-owned subsidiary of the Company) ("Chau's Industrial") as vendor and Hua Yi as purchaser in relation to the sale and purchase of 1,000 shares of HK$1.00 each in the share capital of Solartech Enterprises Limited ("Solartech Enterprises"), together with the shareholder's loan owed by Solartech Enterprises and its subsidiary to Chau's Industrial; and

(d) the deed of set off and transition arrangements dated 5 December 2008, a copy of which has been produced to this meeting marked "D" and initialled by the chairman of the meeting for the purpose of identification) entered into among the Company, Hua Yi, Chau's Industrial, Chau's Electrical and Wah Yeung in respect of the agreements set out at (a) to (c) above,

and **THAT** the directors of the Company be and are hereby authorised to do all such acts and things, execute all such documents as they in their absolute discretion consider necessary or expedient to give effect to the agreements set out at 1(a) to 1(d) and the implementation of all transactions contemplated thereunder (including but not limited to the agreements to be entered into by the Company at completion of the sale and purchase agreements set out at 1(a) to 1(c) above).

2. **THAT**:

(a) the underwriting agreement dated 5 December 2008 (a copy of which has been produced to this meeting marked "E" and initialled by the chairman of the meeting for the purposes of identification) entered into between the Company and Venture Success Holdings Limited ("Venture Success"), a company incorporated in the British Virgin Islands (the "Underwriting Agreement"), be and are herby approved, and that the directors of the Company be and are hereby authorised to do all such acts and things, execute all such documents as they in their absolute discretion consider necessary or expedient to give effect to the Underwriting Agreement and the implementation of all transactions contemplated thereunder;

(b) subject to the fulfilment of the conditions of the Underwriting Agreement, the issue, by way of open offer, of 2,414,617,448 new ordinary shares (the "Offer Shares") of par value of HK$0.01 each in the issued share capital of the Company (the "Open Offer") to be issued at a price of HK$0.027 per Offer Share (the "Subscription Price") to the Shareholders whose names appear on the register of members of the Company on the date by reference to which entitlements under the Open Offer will be determined (other than those Shareholders with registered addresses outside Hong Kong (the "Excluded Shareholders") in respect of whom the Board of Directors, after making relevant enquiry, considers their exclusion from the Open Offer to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or any requirements of the relevant regulatory body or stock exchange in that place) in the proportion of four Offer Share for every existing Share then held and otherwise pursuant to and in accordance with the terms and conditions set out in the circular issued by the Company dated 31 December 2008 be and is hereby approved;

(c) the Directors be and are hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to Excluded Shareholders as they may, at their absolute discretion, deem necessary or expedient or appropriate, and the Offer Shares shall not be issued to the Excluded Shareholders;

(d) the arrangements for the disposal of Offer Shares not validly applied for by shareholders by way of the subscription of such Offer Shares by the underwriter or such subscribers as procured by the underwriter pursuant to the Underwriting Agreement be and are hereby approved; and

(e) the directors of the Company be and are hereby authorised to do all such acts and things, execute all such documents as they in their absolute discretion consider necessary or expedient to give effect to the Open Offer and the arrangements set out at (c) above (if required).

3. **THAT** subject to the passing of the Resolution numbered 2 set out in the notice of Special General Meeting of the Company of which this Resolution forms part, the granting by the executive director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong in respect of the compliance of the obligations on the part of Mr Chau Lai Him, Venture Success and all parties acting in concert with them respectively (collectively the "Parties"), to make a general offer for all the issued shares in the Company not already owned or agreed to be acquired by the Parties which may arise as a result of the subscription of the Offer Shares underwritten by Venture Success pursuant to the Underwriting Agreement under Rule 26 of the Hong

Kong Code on Takeovers and Mergers, and the terms of such waiver, be and are hereby approved, and the directors of the Company be and are hereby authorised to do all such acts and things and execute all such documents as they in their absolute discretion consider necessary or expedient for such purpose.

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

Hong Kong, 31 December 2008

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

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

Notes:

(1) A Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a Member of the Company. In order to be valid, the form of proxy must be deposited with the head office and principal place of business of the Company in Hong Kong at No. 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong together with any power of attorney or other authority, if any, under which it is signed, or a certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjournment thereof.

(2) The register of Members of the Company will be closed for the purpose of holding the Meeting from Tuesday, 13 January 2009 to Monday, 19 January 2009, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 12 January 2009.

(3) The Directors of the Company as at the date of this notice are Messrs. Chau Lai Him, Zhou Jin Hua and Liu Jin Rong being the Executive Directors, and Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming being the Independent Non-Executive Directors.