THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrars of Companies" in Appendix III to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). A copy of each of the Prospectus Documents will as soon as reasonably practicable be filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda. The Registrars of Companies in Hong Kong and Bermuda, the Securities and Futures Commission of Hong Kong and the Bermuda Monetary Authority take no responsibility for the contents of any of these documents.

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

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)

SOLARTECH OPEN OFFER
IN THE PROPORTION OF
FOUR OPEN OFFER SHARES
FOR EVERY SHARE HELD ON RECORD DATE

Joint financial advisers to Solartech International Holdings Limited

Optima Capital Limited

Kingston Corporate Finance Limited

The latest time for acceptance of and payment for the Solartech Open Offer Shares is 4:00 p.m. on Monday, 2 February 2009. The procedures for application of the Solartech Open Offer Shares are set out on pages 21 to 22 of this prospectus.

It should be noted that the Underwriter may at its 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.

* *for identification purpose only*

19 January 2009

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EXPECTED TIMETABLE

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
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
Expected date for the commencement of dealing in the Solartech Open Offer Shares	Tuesday, 10 February

Notes: All time in this prospectus refer to Hong Kong time.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE SOLARTECH OPEN OFFER

The latest time for acceptance of and payment for the Solartech Open Offer will not take place if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning

(i) In force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on 2 February 2009. Instead the latest time for acceptance of and payment for the Solartech Open Offer will be extended to 5:00 p.m. on the same Business Day;

(ii) In force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 2 February 2009. Instead the latest time for acceptance of and payment for the Solartech Open Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Solartech Open Offer does not take place on 2 February 2009, the dates mentioned in the section headed "Expected timetable" in this prospectus may be affected. A press announcement will be made by the Company in such event.

In this prospectus, 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
"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, details of which are set out in the Circular
"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
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"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
"Circular"	the circular of the Company dated 31 December 2008 in relation to, among others, the Asset Swap, the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver

"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"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 together with the Hua Yi Sales 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 Consideration"	the consideration payable by Hua Yi to Chau's Electrical under the sale and purchase agreement in respect of the purchase by Hua Yi of the Fund Resources Group
"Fund Resources Group"	Fund Resources and its subsidiary
"Fund Resources Shareholder's Loan"	the unsecured and interest-free shareholder's loan owing by the Fund Resources Group to Chau's Electrical
"HKSCC"	Hong Kong Securities Clearing Company Limited
"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 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 Group"	Hua Yi Copper Products Company Limited and its subsidiary
"HY Products Shareholder's Loan"	the unsecured and interest-free shareholder's loan owed by the HY Products Group to Wah Yeung
"HY Subsidiaries Consideration"	the consideration payable by Solartech to Wah Yeung under the sale and purchase agreement in respect of the purchase by Solartech of the Hua Yi Sale Companies
"Independent Shareholder(s)"	Shareholder(s) other than Mr. Chau, the Underwriter, and their respective associates and parties acting in concert with any of them and any parties who are involved or interested in the Asset Swap, the agreements in respect of 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)
"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"	16 January 2009, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
"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 Group"	Modern China Enterprises Limited and its subsidiaries
"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 Shareholder(s)"	Shareholder(s) 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 in respect of the Asset Swap, 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 prospectus, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"Prospectus Documents"	this prospectus and the Application Form
"Prospectus Posting Day"	the date of posting of the Prospectus Documents to Qualifying Shareholders and this 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
"Registrar"	Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong
"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 held at 9:30 a.m. on 19 January 2009 for the purpose of considering and, if thought fit, approving, among other things, 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 Consideration"	the consideration payable by Hua Yi to Chau's Industrial under the sale and purchase agreement in respect of the purchase by Hua Yi of the Solartech Enterprises Group
"Solartech Enterprises Group"	Solartech Enterprises and its subsidiary

"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 from time to time
"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 Sale Companies"	Solartech Enterprises Group and Fund Resources Group
"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, the Underwriter and parties acting in concert with them 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.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter may at its 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.

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

19 January 2009

To the Shareholders:

Dear Sir and Madam,

**SOLARTECH OPEN OFFER
IN THE PROPORTION OF
FOUR OPEN OFFER SHARES
FOR EVERY SHARE HELD ON RECORD DATE**

INTRODUCTION

In the joint announcement of the Company and Hua Yi dated 10 December 2008, the Company announced, among others, that it 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 Solartech Open Offer is conditional, inter alia, upon the Whitewash Waiver having been granted by the Executive and the approval of the Solartech Open Offer, the Whitewash Waiver and the Underwriting Agreement by the Independent Shareholders at the SGM by way of poll.

* *for identification purpose only*

The Executive has granted the Whitewash Waiver, which was subject to the approval of the Independent Shareholders by way of poll at the SGM. At the SGM held at 9:30 a.m. on 19 January 2009, the ordinary resolutions approving the Solartech Open Offer, the Underwriting Agreement and the Whitewash Waiver were duly passed by the Independent Shareholders by way of poll.

The purpose of this prospectus is to provide you with further details on the Solartech Open Offer including information on dealings in and application for Solartech Open Offer Shares, and certain financial and other information of the Group.

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 Record Date
Number of Solartech Open Offer Share	:	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

Qualifying Shareholders

The Prospectus Documents are being sent by Solartech to the Qualifying Shareholders. Copies of this prospectus are being sent by Solartech to the Non-Qualifying Shareholders for their information only and Solartech will not send any Application Form to the Non-Qualifying Shareholders.

Rights of the Non-Qualifying Shareholders

The Prospectus Documents have not been and will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong and Bermuda. No persons receiving a copy of this prospectus or the Application Form in any jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for the Solartech Open Offer Shares, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. It is the responsibility of Overseas Shareholders and any other person outside Hong Kong wishing to make an application for the Solartech Open

Offer Shares to satisfy itself/himself/herself as to the observance of the laws and regulations of the relevant jurisdiction, including the obtaining of any government or other consents, and payment of any taxes and duties required to be paid in such jurisdiction in connection therewith.

Based on the register of members of the Company on the Record Date, there were a total of two Overseas Shareholders, of whom, one had a registered address in Singapore and the other one had a registered address in Canada. The Directors have, in compliance with Rule 13.36(2)(a) of the Listing Rules, sought legal advice regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange.

Singapore lawyers have advised that the Solartech Open Offer can be made to the Overseas Shareholder in Singapore by posting the Prospectus Documents to the relevant Shareholder and the Company is not required to comply with any additional regulatory requirements in relation to the making of the Solartech Open Offer to the Overseas Shareholder in Singapore. Accordingly, the Solartech Open Offer will be extended to the Overseas Shareholder in Singapore.

Canadian counsel have advised the Company that to post the Prospectus Documents to the Overseas Shareholder in Canada, the Company will be required to undertake due diligence to ascertain whether the level of ownership of the Company by residents of Canada meets requirements under Canadian securities laws, execute certain declarations as to the level of securities ownership by Canadian residents if such requirements are met and lodge such declarations and the Prospectus Documents with the relevant authorities in Canada. Accordingly, the Directors are of the view that in the circumstances and after consideration of Canadian counsel's advice as to the procedures necessary to satisfy the requirements under Canadian securities laws, it is not expedient for the Solartech Open Offer to be extended to the Overseas Shareholder in Canada and accordingly, the Overseas Shareholder in Canada is not entitled to participate in the Solartech Open Offer.

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 34% to the closing price per Share of HK$0.041 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.

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 has applied 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.

Subject to the listing of and permission to deal in all the Solartech Open Offer Shares on the Stock Exchange being granted, the Solartech Open Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Solartech Open Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the share capital of the Company is listed or dealt in or of which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

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 nor 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 of 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 their respective associates. The Underwriting Agreement provides that the Underwriter will be obliged to subscribe or procure subscribers for any Underwritten Shares not taken up by the Qualifying Shareholders.

The 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 Open Offer Shares not validly applied for by the Shareholders will be taken up by the Underwriter and/or subscribers procured by the Underwriter.

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.

The Underwriter does not engage in underwriting as its ordinary course of business. The main reason for the Underwriter to underwrite the Underwritten Shares is to give a vote of confidence in the future of the Group.

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 Day;

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 of the Asset Swap in accordance with the terms of their respective agreements by the parties named 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 its 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 companies acquired and regrouped by the Company under the Asset Swap following the completion of the Asset Swap and the Solartech Open Offer. Details of the Asset Swap are set out in the paragraph headed "The Asset Swap" below. The Underwriter is optimistic about the future of the 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 of the Asset Swap, 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.

THE ASSET SWAP

On 5 December 2008, the agreements which govern the Asset Swap between the Solartech Group and the Hua Yi Group were entered by the Parties, which are members of the Solartech Group and the Hua Yi Group. Under the 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. The considerations for the Asset Swap are payable by the relevant purchaser to the relevant vendor under the relevant sale and purchase agreement in respect of the Asset Swap at the completion of the Asset Swap and the amounts of which are set out below:

- The HY Subsidiaries Consideration amounting to approximately HK$189.6 million (subject to the set-off arrangement and adjustments referred in the Circular) 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 of the Asset Swap; 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 in the Circular) 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 of the Asset Swap; 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 in the Circular) 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 of the Asset Swap; and (ii) the principal amount of the Fund Resources Shareholder's Loan of approximately HK$77.1 million as at 31 October 2008.

Completion of the sale and purchase agreements in respect of the Asset Swap is intended to take place simultaneously. Pursuant to the terms of the set-off deed in respect of the Asset Swap, 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 of the Asset Swap, 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 to be made to the consideration payable by Solartech and Hua Yi respectively pursuant to the agreements in respect of the Asset Swap. 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. There will be no variation in the aggregate remuneration payable to or benefits in kind receivable by the directors of the Hua Yi Sales Companies in consequence of the Asset Swap.

Further details of the Asset Swap are set out in the Circular.

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	80.00%	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, have, prior to the despatch of the Prospectus Documents by Solartech, entered into placing arrangement with an independent third party not connected to or associated with the connected persons of Solartech to place out such number of Underwritten Shares as required to maintain the public float at a price of HK$0.027 per Share following completion of the Solartech Open Offer, on a fully underwritten basis. Based on the shareholding structure of Solartech as at the Latest Practicable Date and assuming nil subscription by the Qualifying Shareholders, the maximum number of Shares subject to the placing arrangement would be 283,606,691 Shares.

FINANCIAL AND TRADING PROSPECTS OF THE SOLARTECH 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 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 with Hua Yi by geographical location, further details of which are set out in the Circular, it 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 of the Asset Swap, the 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.

PERMISSION OF THE BERMUDA MONETARY AUTHORITY

General permission under the Exchange Control Act 1972 of Bermuda and regulations made thereunder has been granted by the Bermuda Monetary Authority for the issue by the Company of its Shares to persons regarded as non-residents of Bermuda for exchange control purposes for so long the Shares are listed on the Stock Exchange. In granting such permission and in accepting the Prospectus Documents for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies in Bermuda accepts any responsibility for the financial soundness of the Group or for the correctness of any statements made or opinions expressed in the Prospectus Documents.

PROCEDURES FOR APPLICATION AND PAYMENT

An Application Form is enclosed with this prospectus which entitles you to apply for any number of Solartech Open Offer Shares. Qualifying Shareholders should note that they may apply for any lesser number of Solartech Open Offer Shares but are assured of an allotment only up to the number set out in the Application Form. If you are a Qualifying Shareholder and you wish to apply for any number of Shares in your assured allotment of the Solartech Open Offer Shares as specified in the enclosed Application Form, you must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with remittance for the aggregate subscription price in respect of such number of Solartech Open Offer Shares you have applied for with the Registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, 2 February 2009. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "Solartech International Holdings Limited – Solartech Open Offer Account" and crossed "Account Payee Only".

It should be noted that unless the Application Form, together with the appropriate remittance, has been lodged with the Registrar by not later than 4:00 p.m. on Monday, 2 February 2009, that assured allotments and all rights thereunder will be deemed to have been declined and will be cancelled.

The Application Form contains full information regarding the procedures to be followed if you wish to apply for a number of Shares different from that in your assured allotment.

All cheques or cashier's orders will be presented for payment upon receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Any application in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the assured allotments and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the Solartech Open Offer are not fulfilled, the application monies will be refunded, without interest, by sending a cheque made out to the applicant (or in the case of joint applicants, to the first named applicant) and crossed "Account Payee Only", through ordinary post at the risk of the applicant(s) to the address(es) specified in the register of members of the Company on or about Friday, 6 February 2009.

The Application Form is for use only by the person(s) named therein and are not transferable.

No receipt will be issued in respect of any application monies received.

SHARE CERTIFICATES

Share certificates in respect of the Solartech Open Offer Shares which are successfully applied for by Qualifying Shareholders will be sent through ordinary post to the applicants (or, in the case of joint applicants, to the first named applicant), at their own risk, to the addresses specified in the register of members of the Company. On the assumption that the Solartech Open Offer becomes unconditional on or about Thursday, 5 February 2009, share certificates are expected to be posted on or about Friday, 6 February 2009.

GENERAL

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

By order of the board
Solartech International Holdings Limited
Chau Lai Him
Chairman and Managing 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 *HK$'000*	**Year ended 30 June 2007** *HK$'000*	**Year ended 30 June 2006** *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 *HK$'000*	**At 30 June 2007** *HK$'000*	**At 30 June 2006** *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	Share premium	Contributed surplus	Exchange reserve	Statutory reserve fund	Share option reserve	Retained profits	Total	Share option reserve of a listed subsidiary/ associate	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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 HK$'000	Copper rods HK$'000	Connectors and terminals HK$'000	Other HK$'000	Total HK$'000	Life like plants HK$'000	Production distribution and licensing of television programmes HK$'000	Total HK$'000	Consolidated 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 HK$'000	Copper rods HK$'000	Connectors and terminals HK$'000	Other HK$'000	Total HK$'000	Life like plants HK$'000	Production distribution and licensing of television programmes HK$'000	Total HK$'000	Consolidated 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 improve-ments	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	**2007**
	HK$'000	*HK$'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	**2007**
	HK$'000	*HK$'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	2007
	HK$'000	*HK$'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:-

		22 April 2008
	Notes	*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	Number of share options Outstanding at 1.7.2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30.6.2008	Exercisable period
				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	Number of share options: Outstanding at 1.7.2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30.6.2007	Exercisable period
				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.

3. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis extracted from the annual report of the Company for the financial 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 Solartech'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 regions and given the lower production costs compared with the Pearl River Delta

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.

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.

4. INDEBTEDNESS STATEMENT

As at the close of business on 30 November 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the Enlarged Group had total outstanding borrowings of approximately HK$467.0 million, comprising secured bank loans of approximately HK$240.3 million, secured trust receipts loans, factoring loans and discounted bills of approximately HK$208.3 million, obligation under finance leases of approximately HK$7.7 million and unsecured deferred consideration payable of approximately HK$10.7 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$402.0 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$5.2 million are held under finance leases. Certain secured bank borrowings of the Enlarged Group of approximately HK$285.3 million and an associate of HK$4 million are also secured by corporate guarantees given by the Company and certain of its subsidiaries in the Enlarged Group.

Since 30 June 2008 and 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 30 November 2008, the Enlarged Group has not incurred 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.

5. WORKING CAPITAL

The Directors are of the opinion that assuming that completion of the Asset Swap and the Solartech Open Offer 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 prospectus.

6. 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.

Saved as disclosed above, Directors are not aware of any material adverse change in the financial or trading position of the 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.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is an illustrative unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared on the basis of the notes set out below for illustrating the effect of the Solartech Open Offer on the audited consolidated net tangible assets of the Group as if it had taken place on 30 June 2008. This pro forma financial information has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 30 June 2008 or any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group as at 30 June 2008 as extracted from the published audited annual report of the Group for the year ended 30 June 2008 and is adjusted for the effect of the Solartech Open Offer.

	Consolidated net tangible assets of the Group as at 30 June 2008	Estimated proceeds from the Solartech Open Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group after the Solartech Open Offer	Consolidated net tangible assets of the Group per Share as at 30 June 2008	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share as at 30 June 2008
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*	*HK$*
Based on the share subscription price of HK$0.027 per Solartech Open Offer Share	1,062,716	65,195	1,127,911	1.76	0.37

Notes:

1. The consolidated net tangible assets of the Group as at 30 June 2008 is arrived at by deducting the intangible assets of approximately HK$23,389,000 which represent the goodwill arising from acquisition of subsidiaries from the audited net assets of the Group of approximately HK$1,086,105,000 as at 30 June 2008.

2. The estimated proceeds from the Solartech Open Offer are calculated based on 2,414,617,448 Solartech Open Offer Shares to be issued at the share subscription price of HK$0.027 per Solartech Open Offer Share, which gives rise to approximately HK$65,195,000, before the deduction of the estimated professional fees of HK$3,000,000 which are directly related to the Asset Swap and Solartech Open Offer. Pursuant to the Underwriting Agreement, an underwriting commission shall be payable to the Underwriter calculated at 2.5% of the aggregate subscription price of the Solartech Open Offer Shares underwritten by the Underwriter. No underwriting commission is recorded as it is assumed that the Underwriter is not required to underwrite the Solartech Open Offer Shares for the preparation of the Unaudited Pro Forma Financial Information.

3. The calculation of unaudited consolidated net tangible assets of the Group per Share as at 30 June 2008 is based on the consolidated net tangible assets of the Group of approximately HK$1,062,716,000 and the 603,654,362 Shares in issue as at 30 June 2008.

4. The calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group per Share as at 30 June 2008 is based on the unaudited pro forma adjusted consolidated net tangible assets of the Group after the Solartech Open Offer of approximately HK$1,127,911,000; and 3,018,271,810 Shares in issue immediately following the completion of the Solartech Open Offer which comprise the 603,654,362 Shares in issue as at 30 June 2008 and the 2,414,617,448 Solartech Open Offer Shares to be issued pursuant to the proposed issue of Solartech Open Offer Shares to the Qualifying Shareholders on the basis of 4 Solartech Open Offer Shares for every 1 Share held on the record date.

5. No adjustment has been made to reflect any trading results or other transaction of the Group entered into subsequent to 30 June 2008.

REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report from Shu Lun Pan Horwath Hong Kong CPA Limited, the reporting accountants of the Company, in respect of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as set out in this Appendix and prepared for the sole purpose of inclusion in this Prospectus.

Horwath

Shu Lun Pan Horwath Hong Kong CPA Limited
香港立信浩華會計師事務所有限公司
20th Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone : (852) 2526 2191
Facsimile : (852) 2810 0502
horwath@horwath.com.hk
www.horwath.com.hk

19 January 2009

The Board of Directors
Solartech International Holdings Limited

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") as set out in Appendix II to the Company's prospectus (the "Prospectus") dated 19 January 2009, which have been prepared by the directors of the Company, solely for illustrative purposes only, to provide information about how the proposed issue of offer shares to the qualifying shareholders on the basis of 4 offer shares for every 1 share held on the record date (the "Open Offer"), might have affected the relevant financial information of the Group as at 30 June 2008. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-2 of the Prospectus.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and 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 Rule 4.29(7) 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 the 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 Rule 4.29(l) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2008 or any future date.

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 Rule 4.29(l) 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

1. RESPONSIBILITY STATEMENT

This prospectus includes particulars given in compliance with the Companies Ordinance, 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 prospectus (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 prospectus (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 prospectus, the omission of which would make any statement in this prospectus 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 prospectus (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 prospectus (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 prospectus, the omission of which would make any statement contained in this prospectus 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. DISCLOSURE OF INTERESTS

3.1 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 prospectus, 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.

3.2 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 Enlarged 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 Enlarged Group, or any options in respect of such capital.

Save as disclosed above, none of the Directors 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.

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

4. 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 Asset Swap Agreement takes place and (ii) Mr. Chau is interested in 578,800 Hua Yi Shares, 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)

5. 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, parties acting in concert with it nor any of its directors owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, and 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, no Shareholder has indicated any undertaking to take up any of their entitlements under the Solartech Open Offer. 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, 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 or any person acting in concert with it.

(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 being 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 and this prospectus, 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; or (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; nor (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 prospectus, had irrevocably committed themselves to vote for or against the resolutions 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 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 not to dispose of the Shares beneficially owned by him 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, the indication by Mr. Chau 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.

6. 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.

7. PARTICULARS OF DIRECTORS

The brief biographies of the Directors are set out below:

Executive Directors

Mr. CHAU Lai Him, aged 57, is the chairman and managing director of the Group and the founder of the Group. He is responsible for the overall management, strategic planning and business development of the Group. He has more than 25 years' experience in the manufacturing of cable and wire products.

Mr. ZHOU Jin Hua, aged 51, joined the Group in 1986 and is the deputy chairman of the Group and the general manager of the Group's Dongguan manufacturing facilities. He is responsible for the day-to-day operations of the Group's Dongguan manufacturing facilities including production, sales and marketing and business development. He has more than 20 years' experience in the manufacturing of cable and wire products.

Mr. LIU Jin Rong, aged 35, joined the Group in 1998 and is the administration manager of Qiaozi Chau's Electrical Company Limited. He has more than 10 years' experience in human resources management in PRC. He is the son-in-law of the sister of Mr. Chau Lai Him.

Independent Non-Executive Directors

Mr. CHUNG Kam Kwong, aged 51, is a practising Certified Public Accountant in Hong Kong and is a fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia, and a supervisory council member of the Macau Society of Certified Practising Accountants. He holds a bachelor degree in economics from the University of Hull, United Kingdom and a post graduate diploma of financial management from the University of New England, Australia. Mr. Chung has extensive experience in accounting and financial management and is independent non-executive director of listed companies in Hong Kong.

Mr. LO Wai Ming, Paulus, aged 56, is the president of Greater China Asset Management Limited. He is also the managing director of SW China Strategic Holdings Limited. He has over 30 years' extensive experience in capital investment, consumer marketing, infrastructure investment and management, business development and corporate finance. He holds a bachelor degree in Social Sciences (Hons) and a master degree in business administration from the Chinese University of Hong Kong. He is a member of the Chartered Institute of Marketing and the Chartered Management Institute of the United Kingdom.

Mr. LO Chao Ming, aged 43, joined the Group in November 2006. He is the general manger of Sunf Pu Electric Wire & Cable Co., Ltd., a company incorporated in Taiwan, Republic of China. He has more than 20 years' experience in the cable and wire industry.

8. EXPERT AND CONSENT

The following are the qualification of the expert who has issued letters which are contained in this prospectus:

Name	Qualification
Shu Lun Pan Horwath Hong Kong CPA Limited ("SLP Horwath")	a firm of the Certified Public Accountants registered in Hong Kong Institute of Certified Public Accountants

SLP Horwath has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its letters and report (as the case may be) and references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, SLP Horwath was not beneficially interested in the share capital of any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the 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 Company were made up), acquired or disposed of by or leased to any member of the Group or which were proposed to be acquired or disposed of by or leased to any member of the 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 governing the Asset Swap, details of which are set out at pages 17 and 18 of this prospectus including the set-offs to be effected for the transactions making up the Asset Swap.

(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 (i) co-operating and investing in the mining projects chosen by Hua Yi; and (ii) 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"), as supplemented by supplemental agreements dated 15 October 2007, 15 December 2007, 31 March 2008 and 19 April 2008, 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 Enlarged Group) are not aware of any litigation or claims of material importance pending or threatened against any member of the Enlarged Group.

11. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

A copy of each of the Prospectus Documents, having attached thereto the written consent referred to under the heading "Expert and consent" and the material contracts listed under the heading "Material Contracts" in this appendix, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). A copy of each of the Prospectus Documents will as soon as reasonably practicable be filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda.

12. LEGAL EFFECT

This prospectus and the accompanying Application Form, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies Ordinance, so far as applicable.

13. EXPENSES

The expenses in connection with the Solartech Open Offer, including the financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting charges are estimated to amount to approximately HK$5.2 million and will be payable by the Company.

14. 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 prospectus up to and including 2 February 2009:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for each of the two years ended 30 June 2007 and 30 June 2008;

(c) the unaudited pro forma financial information as set out in Appendix II to this prospectus;

(d) the material contracts referred to in the paragraph headed "Material contracts" above;

(e) the written consent referred to in the paragraph headed "Expert and consent" of this Appendix;

(f) 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;

(g) the Underwriting Agreement; and

(h) the Circular.

15. 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

16. 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 registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(c) The head office of the Company is at No. 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.

(d) The transfer office of the Company is at Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(e) The address of Mr. Chau is No. 7, 2/F Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.

(f) 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.

(g) The English language text of this prospectus shall prevail over the Chinese language text.