THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Solartech International Holdings Limited.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1166)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PROPOSED ACQUISITION OF A COPPER-GOLD-SILVER MINE IN MONGOLIA; INCREASE IN AUTHORISED SHARE CAPITAL

AND

NOTICE OF SPECIAL GENERAL MEETING

A notice convening the special general meeting of Solartech International Holdings Limited to be held at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong at 10:00 a.m. on Tuesday, 27 April 2010 is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the special general meeting, you are advised to read the notice and to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the head office and principal place of business of the Company in Hong Kong at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the special general meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the special general meeting or any adjourned meeting should you so wish.

* *For identification purposes only*

9 April 2010

CONTENTS

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

"9 February Placing"	the conditional placing of up to 2,000,000,000 new Shares by the Company pursuant to the placing agreement entered into by the Company and Kingston Securities Limited as placing agent as further disclosed in the Company's announcement dated 9 February 2010
"Acquisition"	the proposed acquisition of the Sale Share by the Company from the Vendor pursuant to the Agreement
"Agreement"	the sale and purchase agreement dated 10 November 2009 entered into among the Company, the Vendor and Mr. Liu Yong in relation to the Acquisition
"Announcement"	the announcement made by the Company on 30 November 2009 in relation to the Acquisition
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"BMI"	BMI Appraisals Limited, an independent valuation firm
"Board"	the board of Directors
"Business Day(s)"	the day(s) (not being a Saturday, Sunday or a public holiday) on which banks are open for general banking business in Hong Kong and Mongolia
"CBE Resources Report"	a mineral resources report of the Mine dated 27 October 2009 prepared based on the Mongolian/Russian Standards by CBE LLC
"Company"	Solartech International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Agreement
"Concert Parties"	persons acting in concert within the meaning of the Takeovers Code

"connected person(s)"	has the meaning ascribed thereto under the Listing Rules and the word "connected" shall be construed accordingly
"Consideration"	the consideration payable in respect of the Acquisition pursuant to the Agreement, subject to adjustment
"Conversion Period"	the period commencing from the date immediately following the date of issue of the Convertible Bond up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the Maturity Date
"Conversion Share(s)"	the new Share(s) which shall be issued and allotted to the holder(s) of the Convertible Bond upon exercise of the conversion rights attached to the Convertible Bond
"Convertible Bond"	the 3-year zero coupon unsecured convertible bond in the aggregate principal amount of HK$1,432,000,000 (subject to the adjustment to be issued by the Company to the Vendor forming part of the Consideration
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition immediately after the Completion
"Feasibility Report"	the feasibility report of the Mine prepared by CBE LLC dated 31 December 2009
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"ISE"	Ikh Shijir Erdene LLC, a company incorporated in Mongolia with limited liability and is wholly owned by the Target Company

"ISE Exploration Licences"	the updated Minerals Exploration Special Permit 14536X and Minerals Exploration Special Permit 15255X deemed to be issued by the Geological and Mining Cadastre Division of the Mineral Resources Authority of Mongolia on 8 December 2008, covering an area of 1686.02 and 1426.47 hectares, respectively, at the area located in a place named Nergui of Delgerkhangai soum in Dundgobi aimag, Mongolia currently held by ISE. The original Minerals Exploration Special Permit 14536X was issued on 8 December 2008 covering an area of approximately 3,464 hectares. Following the grant of the ISE Mining Licence, the area covered by the original Minerals Exploration Special Permit 14536X was adjusted to take into account the area covered by the ISE Mining Licence and divided into two to comply with relevant local regulatory requirements. On 24 November 2009, Minerals Exploration Special Permit 15255X was issued as a result and deemed to take effect from 8 December 2008
"ISE Licences"	the ISE Exploration Licences and the ISE Mining Licences
"ISE Mineral Rights"	all the mineral rights attached to the ISE Licences which are held by ISE
"ISE Mining Licence"	Minerals Mining Special Permit 15287A issued by the Geological and Mining Cadastre Division of the Mineral Resources Authority of Mongolia covering an aggregate area of 351.26 hectares of the mining area located in a place named Nergui of Delgerkhangai soum in Dundgobi aimag, Mongolia, currently held by ISE
"Last Trading Day"	10 November 2009, being the last day of trading in the Shares on the Stock Exchange immediately prior to the suspension of trading pending publication of the Announcement
"Latest Practicable Date"	7 April 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Committee"	the listing committee of the Stock Exchange

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	the day falling on the expiry of 6 months after the date of the Agreement
"Maturity Date"	the date falling on the day being the third anniversary of the date of issue of the Convertible Bond
"Mine"	the copper-gold-silver mine located in a place named Nergui of Delgerkhangai soum in Dundgobi aimag, Mongolia, which is subject to the ISE Exploration Licence and the ISE Mining Licence
"Minerals Law"	the Minerals Law of Mongolia which was adopted by the Parliament on 8 July 2006 and became effective on 26 August 2006
"Mongolia"	The State of Mongolia
"MOU"	the memorandum of understanding dated 14 October 2009 entered into by the Company and the Vendor in relation to the acquisition of the Sale Share
"MRAM"	Mineral Resources Authority of Mongolia, a state administrative body in charge of geology and mining issues
"Parliament"	the parliament of Mongolia
"Sale Share"	the one issued share of US$1 nominal value in the capital of the Target Company constituting the entire issued share capital of the Target Company
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Acquisition and the transactions contemplated under the Agreement
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company

"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Code on Takeovers and Mergers
"Target Company"	Sun Progress Limited, a company incorporated in the British Virgin Islands and is wholly-owned by the Vendor
"Target Group"	the Target Company and ISE
"Technical Report"	the technical report of the Mine dated 9 April 2010 issued by BMI Technical Consulting which is set out as Appendix V to this circular
"Trading Day"	any day on which the Stock Exchange is open for securities trading generally
"Valuation Report"	the valuation report of ISE dated 9 April 2010 issued by BMI which is set out as Appendix IV to this circular
"Vendor"	Winner Progress Limited, a company incorporated in the British Virgin Islands and is directly wholly owned by Mr. Liu Yong
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"MT$" or "MNT"	Mongolian Tugrik, the lawful currency of the State of Mongolia
"US$"	US dollars, the lawful currency of the United States of America
"%"	per cent

For the purpose of this circular, unless otherwise indicated, exchange rates of US$1=HK$7.75 and HK$1=MT$189 have been used. The usage of these exchange rates is for illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged or converted at the above rates or at any other rate at all.

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
Mr. Zhou Jin Hua
Mr. Ho Pang Cheng Vincent
Mr. Chan Sio Keong
Mr. Liu Dong Yang

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

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

Principal place of business in Hong Kong:
Unit 7, 2nd Floor
Kingsford Industrial Centre
13 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

9 April 2010

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION
IN RELATION TO THE PROPOSED ACQUISITION OF
A COPPER-GOLD-SILVER MINE IN MONGOLIA;
INCREASE IN AUTHORISED SHARE CAPITAL
AND
NOTICE OF SGM

INTRODUCTION

As disclosed in the Announcement, on 10 November 2009, the Company entered into the Agreement with the Vendor and Mr. Liu Yong as the Vendor's guarantor pursuant to which the Company has conditionally agreed to acquire from the Vendor the Sale Share. The Sale Share represents the entire issued share capital of the Target Company, which holds licences in respect of the Mine through a subsidiary.

* *For identification purposes only*

The purpose of this circular is to provide you with, amongst other things, (i) further information in relation to the Acquisition; (ii) financial information on the Group and the Target Group; (iii) the Valuation Report; (iv) the Technical Report; (v) the property valuation report of the Enlarged Group; (vi) the increase in authorised share capital of the Company; (vii) the notice of the SGM; and (viii) other information as required under the Listing Rules.

THE AGREEMENT

Date

10 November 2009

Parties

(i) the Company as the purchaser;

(ii) the Vendor; and

(iii) Mr. Liu Yong as the Vendor's guarantor.

The Vendor is wholly-owned by Mr. Liu Yong and is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and Mr. Liu Yong are third parties independent of the Company and its connected persons. The Group has not been engaged in any previous transactions which were related to the Acquisition or with either of the Vendor or Mr. Liu Yong in the past 12 months which would otherwise require aggregation under Rule 14.22 of the Listing Rules.

Assets to be acquired

Pursuant to the Agreement, the Vendor agreed to sell and the Company agreed to acquire the Sale Share, representing the entire issued share capital of the Target Company.

Consideration

The Consideration is HK$1,500,000,000 subject to adjustment. If the value of ISE as determined by the Valuation Report is less than HK$1,500,000,000, the Consideration shall be adjusted by a reduction of an amount equal to the amount in which the value of ISE falls short of HK$1,500,000,000. No adjustment will be made to the Consideration if the value of ISE as determined by the Valuation Report exceeds HK$1,500,000,000.

As the value of ISE as determined by the Valuation Report is HK$1,810,000,000 which exceeds HK$1,500,000,000, no adjustment will be made to the Consideration. The Consideration will be satisfied at Completion as follows:

(i) as to HK$68,000,000 in cash; and

(ii) as to HK$1,432,000,000 by the issue of the Convertible Bond by the Company to the Vendor (or its nominees).

The cash portion of the Consideration will be financed by the net proceeds from the Company's internal resources and part of the net proceeds from the 9 February Placing.

The Consideration was determined after arm's length negotiations between the Company and the Vendor. In determining the Consideration, the Board has made reference to, among other things, the preliminary valuation results on ISE prepared by BMI, an independent valuer, and the CBE Resources Report prepared based on the Mongolian/Russian Standards by CBE LLC, an independent exploration and consulting company in Mongolia. The final Consideration of HK$1,500,000,000 is made with reference to the Valuation Report which is based on the results of the Technical Report. Taking into account, among other things, the valuation results prepared by BMI of approximately HK$1,810,000,000 and the discount of approximately 17.1% represented by the Consideration to such valuation, the Directors consider that the Consideration is fair and reasonable.

BMI has experience in the area of natural resource valuations and has performed various valuation projects on similar assets or companies engaged in similar business activities as those of the Target Company in Hong Kong, China and the Asia-Pacific region. CBE LLC was incorporated in Mongolia and is engaged in geology exploration and consultation.

Set out below are the biographies of the professionals who are responsible for the preparation of the CBE Resources Report as advised to the Company by CBE LLC:

Gombosuren Tserendondov (Msc) Project manager, exploration and resource estimates, overall and report compilation

Mr. Gombosuren is the project manager and senior geologist. He is responsible for the geology and resource estimates, report compilation of the mineral resources report. He holds a master degree in the Mongolian University of Science and Technology and is a registered consulting engineer in hydrogeology. He has more than 20 years experience in the field of exploration, geology engineering, hydrogeology, environmental impact assessment and resources estimate of gold, silver, copper and iron as well as other metal ore deposits in different geological settings. He also has the experience in exploration project management, design, exploration assessments and review in support of feasibility studies and mergers and acquisitions.

Bolor Atangerel (Msc) Geologist, geology, exploration, resource estimates and report compilation

Mr. Bolor is a geologist. He holds a master degree of science in geochemistry at the Charles University of Prague in the Czech Republic. He is a member of the Mongolian National Mining Association and the Mongolian Coal Association. He has more than 25 years of experience in the fields of metalliferous minerals (e.g. gold, silver, copper, lead, zinc and iron) and non-metalliferous minerals (e.g. diamond and coal) for exploration, deposit modeling and mine planning, estimation of mineral resources and ore reserves, geochemistry, cash flow analysis, project evaluation and feasibility studies. He has been participated in the formation of geographical atlas (mapping) 1:50,000 of geological expedition held in central region of Mongolia. Mr. Bolor has been involved in the feasibility, construction, and commissioning of several mining operations and has worked on both open pit and underground mines.

Sharkhuu Ulaantuya, Geologist, Technical data collection

Ms. Sharkhuu is a geologist with over 20 years experience in numerous audits and due diligence studies, project evaluation and review of mining projects in Mongolia. She assisted Mr. Gombosuren and Mr. Bolor in the site visit to collect technical data regarding geology, exploration and resource. She has worked on geophysical exploration and geological survey in some metal minerals and coal projects. She holds a bachelor degree in hydrogeology and geology engineering from the Polytechnic Institute of Mongolia.

In addition, the Company has engaged BMI Technical Consulting to prepare the Technical Report based on the Australian JORC Code which is set out as Appendix VI to this circular. The service team of BMI Technical Consulting specializes in various mining projects, including surface and underground mines, slope stability and strata control, rock engineering, heap leach processes and environmental monitoring and management and resource and reserve estimation. The service team of BMI Technical Consulting consists of member of The Institute of Materials, Minerals & Mining (MIMMM), member of The British Geotechnical Society (BGS), member of The Canadian Geotechnical Society (CGS), member of The American Geotechnical Institute (GEO) and are qualified Competent Person required by the Australian JORC Code. The detailed biographies of the professionals of BMI Technical Consulting who are responsible for the preparation of the Technical Report are set out in the Technical Report.

Conditions

Completion of the Agreement is conditional on the following conditions being satisfied on or before the Long Stop Date (in respect of which conditions at the Latest Practicable Date, conditions (ii) and (vii) as stated below have been satisfied):

(i) the Company conducting legal, financial and business due diligence in relation to the Company, ISE, the ISE Mineral Rights and the Mine and the results of such due diligence being satisfactory to the Company, including (but not limited to) obtaining formal legal opinions from Mongolian and British Virgin Islands counsel in respect of ISE, the ISE Licences and the Target Company in forms satisfactory to the Company;

(ii) the Stock Exchange confirming it has no further comments on the announcement issued by the Company in relation to the Acquisition;

(iii) (if necessary) the approval of the Bermuda Monetary Authority in respect of the issue of the Conversion Shares;

(iv) the approval by the Shareholders who are allowed to vote under the Listing Rules of the matters set out in (a) and (b) below at the SGM in accordance with, as applicable, the Listing Rules and applicable law:

(a) the increase of the authorised share capital of the Company to such amount as shall allow the Company to allot and issue the Conversion Shares; and

(b) the Agreement, the Acquisition and the issue of the Convertible Bond and the Conversion Shares;

(v) the Listing Committee of the Stock Exchange agreeing to grant (subject to allotment and matters ancillary thereto) the listing of, and permission to deal in the Conversion Shares;

(vi) the ISE Licences remaining valid and no circumstances having arisen which would result in their revocation;

(vii) the Valuation Report having been duly issued in a form and substance satisfactory to the Company and the Vendor; and

(viii) the obtaining of all licences, consents, approvals, authorisations, permissions, waivers, orders or exemptions from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Agreement and the Acquisition.

The Company may waive conditions (i), (vi), and (viii) in whole or in part at any time on or before the Long Stop Date in writing. The Company and the Vendor shall use all reasonable endeavours to satisfy or procure the satisfaction of each of the conditions not already satisfied or waived as soon as possible and in any event on or before the Long Stop Date.

If any of the conditions (1) remains unsatisfied on the Long Stop Date and has not been waived on or before that date; or (2) becomes impossible to satisfy on or before the Long Stop Date and, if it is a condition which can be waived by a party to the Agreement, has not been waived within 60 Business Days of such condition becoming impossible to satisfy, the Agreement shall automatically terminate with immediate effect and each party's rights and obligations other than those specified in the Agreement shall cease immediately on termination. Such termination shall not affect the rights and obligations of the Vendor or the Company existing before termination.

Guarantee by Mr. Liu Yong

In consideration of the Company entering into the Agreement, Mr. Liu Yong, as the Vendor's guarantor, unconditionally and irrevocably guarantees to the Company the due and punctual performance and observance by the Vendor of its obligations, covenants and warranties under or pursuant to the Agreement. The Company is entitled to claim directly from Mr. Liu Yong without first claiming against the Vendor.

Completion

Completion shall take place on the fifth Business Day following the satisfaction of the conditions set out above and unless waived by the Company or at such other place or time as the Vendor and the Company shall agree. Upon Completion, the Target Company shall become a wholly-owned subsidiary of the Company.

Principal terms of the Convertible Bond

Principal amount:	HK$1,432,000,000
Interest:	The Convertible Bond shall not bear any interest.
Maturity Date:	The date falling on the day being the third anniversary of the date of issue of the Convertible Bond. Unless previously converted, the Convertible Bond will mature and will be redeemed by the Company at par on the Maturity Date.

Conversion rights: Subject to the conversion restrictions (as described below), a Convertible Bond holder shall have the right at any time during the Conversion Period to convert the whole or part of the outstanding principal amount of the Convertible Bond registered in its name into Shares and provided further that any conversion shall be made in amounts of not less than a whole multiple of HK$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bond is less than HK$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bond may be converted.

Conversion price: HK$0.15 per Conversion Share.

At Completion, the initial conversion price of HK$0.15 per Conversion Share shall be substituted with the price which is the higher of (i) the average of the closing prices of the Shares as quoted on the Stock Exchange for the consecutive 5 Trading Days immediately prior to the date of Completion rounded up to the nearest two decimal points and (ii) HK$0.068.

The conversion price will be subject to the usual anti-dilution adjustments in certain events such as share consolidation, share subdivision, capitalization issue, capital distribution, rights issue and other issues of Shares and/or convertible securities.

The initial conversion price of the Convertible Bond of HK$0.15 per Conversion Share represents:

(i) a premium of approximately 7.14% over the closing price of the Shares of HK$0.140 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 7.14% over the average of the closing prices of the Shares of HK$0.140 per Share as quoted on the Stock Exchange for the last 5 Trading Days up to and including Last Trading Day;

(iii) a premium of approximately 6.38% to the average of the closing prices of the Shares of HK$0.141 per Share as quoted on the Stock Exchange for the last 10 Trading Days up to and including the Last Trading Day; and

	(iv) a discount of approximately 7.98% to the closing price of the Shares of HK$0.163 per Share as quoted on the Stock Exchange on the Latest Practicable Date.
Conversion Shares:	Upon the full conversion of the Convertible Bond at the initial conversion price of HK$0.15 per Conversion Share, an aggregate of 9,546,666,667 Conversion Shares will be issued, representing approximately 606.36% of the issued share capital of the Company as at the Latest Practicable Date. The Conversion Shares will in all respects rank *pari passu* with the Shares in issue.
Conversion restriction:	The Convertible Bond may not be converted to the extent that, following such conversion, a holder of the Convertible Bond, together with its Concert Parties, would directly or indirectly control or be interested in an aggregate of 29.9% or more of the issued Shares immediately following the issue of the relevant Conversion Shares (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer), or if a holder of the Convertible Bond would otherwise be obliged to make a general offer for the issued Shares under Rule 26 of the Takeovers Code.
Company's right to require conversion:	Subject to the conversion restriction (as described above), the Company has the right to require the Convertible Bond holder to mandatorily convert any Convertible Bond remaining outstanding at the Maturity Date into Conversion Shares at the then applicable conversion price.
Voting:	A Convertible Bond holder shall not be entitled to attend or vote at any meetings of the Company by reason only of it being a Convertible Bond holder.
Listing:	No application will be made for the listing of the Convertible Bond on the Stock Exchange or any other stock exchange. An application will be made for the listing of and permission to deal in the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bond.

Status:	The Convertible Bond constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Company under the Convertible Bond shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Transferability:	A Convertible Bond holder is entitled to transfer the Convertible Bond to any party other than a connected person of the Company save that the Convertible Bond holder shall not be prohibited from transferring the Convertible Bond or any part thereof to any existing direct or indirect controlling shareholder of the Convertible Bond holder or their respective associates. Save as provided above any proposed transfer to a connected person of the Company shall be subject to the prior consent of the Company, and where applicable, the prior consent of the Stock Exchange. The Convertible Bond shall only be assigned or transferred in whole or in multiples of HK$1,000,000 of its outstanding principal amount and the Company shall facilitate any such assignment or transfer of the Convertible Bond, including making any necessary applications to the Stock Exchange for the said approval (if required).

As disclosed above, at Completion, the initial conversion price of HK$0.15 per Conversion Share shall be substituted with the price which is the higher of (i) the average of the closing prices of the Shares as quoted on the Stock Exchange for the consecutive 5 Trading Days immediately prior to the date of Completion rounded up to the nearest two decimal points and (ii) HK$0.068. The Company shall issue an announcement in the event that there are any changes in the initial conversion price (and any subsequent changes in the conversion price of the Convertible Bonds) in the future to comply with the relevant requirements under the Listing Rules.

The minimum possible conversion price of the Convertible Bond of HK$0.068 per Conversion Share at Completion represents:

(i) a discount of approximately 51.43% to the closing price of the Shares of HK$0.140 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 51.43% to the average of the closing prices of the Shares of HK$0.140 per Share as quoted on the Stock Exchange for the last 5 Trading Days up to and including Last Trading Day;

(iii) a discount of approximately 51.77% to the average of the closing prices of the Shares of HK$0.141 per Share as quoted on the Stock Exchange for the last 10 Trading Days up to and including the Last Trading Day; and

(iv) a discount of approximately 58.28% to the closing price of the Shares of HK$0.163 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Assuming the Convertible Bond is fully converted at HK$0.068 per Conversion Share, an aggregate of 21,058,823,529 Conversion Shares will be issued, representing approximately 1,337.56% of the issued share capital of the Company as at the Latest Practicable Date and the shareholding of the public Shareholders will be diluted to approximately 6.36% of the enlarged issued share capital of the Company.

As disclosed in the paragraph "Consideration" above, more than 95% of the aggregate Consideration for the Acquisition will be satisfied by the issuance of the Convertible Bond. Such payment term as agreed by the parties is similar to a vendor financing arrangement. Without such vendor financing arrangement, the Company may not have sufficient internal resources to finance the Acquisition and is unable to participate in the Mongolian mining industry. In return for the Vendor to agree such payment term, the Vendor requested the Company to provide some assurance relating to the performance of the Share price. Since the Board is not in the position to assure Share price performance at Completion, the Board reached an agreement with the Vendor to include the said one-off price reset mechanism in the terms of the Convertible Bond to assure the Vendor to a certain extent. In order to calculate the maximum dilution effect on the Shareholders, a minimum reset price is required. Taking into account the potential dilution effect on the Shareholders, the Purchaser proposed to set the minimum reset price as HK$0.07 which is a half of the closing price of the Shares of HK$0.140 per Share on the Last Trading Day. After further negotiation by the parties, the minimum reset price of HK$0.068 was mutually agreed. The Board confirms that the terms of the Convertible Bond, including the one-off price reset mechanism of the conversion price, was arrived at after arm's length negotiations between the Company and the Vendor.

In light of the fact that the Convertible Bond would not create a substantial capital expenditure of the Group immediately upon Completion, the Board considers that the terms of the Convertible Bond are fair and reasonable and the issuance of Convertible Bond is in the interest of the Company and the Shareholders as a whole.

The Directors consider that the Completion will not result in a change of control of the Company after taking into account of the restrictions on conversion of the Convertible Bond in accordance with its terms.

EFFECT ON SHAREHOLDING OF THE COMPANY

The following chart depicts the possible effects of the Acquisition on the shareholding structure of the Company:

	As at the Latest Practicable Date		**Upon the conversion of the Convertible Bond at the initial conversion price of HK$0.15 per Conversion Share (subject to the conversion restriction terms)** *(Notes 2 & 4)*		**Upon the conversion of the Convertible Bond in full at the initial conversion price of HK$0.15 per Conversion Share (for illustration purpose only)** *(Notes 2, 3 & 4)*	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Venture Success Holdings Limited *(Note 1)*	134,804,297	8.56	134,804,297	2.64	134,804,297	1.03
The Vendor	–	–	1,524,610,112	29.90	9,546,666,667	72.76
Public Shareholders	1,439,616,065	91.44	3,439,616,065	67.46	3,439,616,065	26.21
Total	1,574,420,362	100.00	5,099,030,474	100.00	13,121,087,029	100.00

Notes:

1. Venture Success Holdings Limited, a company incorporated in the British Virgin Islands, is wholly owned by Mr. Chau Lai Him who is the Chairman and Managing Director of the Company.

2. At Completion, the initial conversion price of HK$0.15 per Conversion Share shall be substituted with the price which is the higher of (i) the average of the closing prices of the Shares as quoted on the Stock Exchange for the consecutive 5 Trading Days immediately prior to the date of Completion rounded up to the nearest two decimal points; and (ii) HK$0.068. In addition, it is a term of the Convertible Bond that the Convertible Bond may not be converted to the extent that, following such conversion, a holder of the Convertible Bond, together with its Concert Parties, would directly or indirectly control or be interested in an aggregate of 29.9% or more of the issued Shares immediately following the issue of the relevant Conversion Shares (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer), or if a holder of the Convertible Bond would otherwise be obliged to make a general offer for the issued Shares under Rule 26 of the Takeovers Code.

3. This scenario is for illustration purpose only and may never happen in light of the conversion restriction clauses imposed under the terms of the Convertible Bond.

   Assuming the Convertible Bond is fully converted at HK$0.068 per Conversion Share, an aggregate of 21,058,823,529 Conversion Shares will be issued, representing approximately 1,337.56% of the issued share capital of the Company as at the Latest Practicable Date and the shareholding of the public Shareholders will be diluted to approximately 6.36% of the enlarged issued share capital of the Company.

4. These scenarios assume that the 9 February Placing has been completed in full.

INFORMATION ON THE TARGET GROUP

The Target Company

The Target Company was incorporated in the British Virgin Islands and is wholly owned by the Vendor. It is principally engaged in investment holding and its only asset is the interests in ISE. The financial information on the Target Group is set out in Appendix II to this circular.

ISE and the Mine

ISE was incorporated in Mongolia and is a direct wholly-owned subsidiary of the Target Company. The principal activities of ISE were exploration and mining. ISE currently holds the ISE Exploration Licences which were issued with effect from 8 December 2008, covering an aggregate area of 3112.4 hectares. No further exploration work is necessary in respect of the area covered by the ISE Mining Licence, ISE will continue to carry out exploration activities in respect of the area covered by the ISE Exploration Licences. The ISE Exploration Licences will expire at the same time in 2011 and are extendable twice and on each extension by three years each time in accordance with the Minerals Law.

To extend the ISE Exploration Licences, ISE must submit an application to the MRAM at least one month prior to their expiration with the following documents:

(i) receipts for payments of annual licence fees and service fees for the exploration licences and a document showing that the amount the licence holder has spent on exploration work in the previous three years is greater than the minimum amount spent on exploration required by law;

(ii) a renewed approval of environmental protection plan; and

(iii) a report on the progress of exploration work and documents showing that the report has been accepted by the relevant government authority.

Save as disclosed above, and based on the advice of the Company's Mongolian legal advisers, the Directors are not aware of any other conditions or legal impediment to the renewal of the ISE Exploration Licences.

ISE obtained the ISE Mining Licence on 24 November 2009, covering an aggregate area of 351.26 hectares, which certifies that ISE has permission to conduct minerals mining activities in the Mine for an initial period of 30 years and extendable by two successive 20 years each in accordance with the Minerals Law. The principal activity of ISE will be the mining of copper. The ISE Mining Licence allows ISE to conduct mining activities in the area covered by the licence, however, ISE needs a further mining permit from the MRAM before it can commence production. Please refer to the section headed "Regulatory Environment in Mongolia" for more information on the mining permit.

The Mine is located at Nergui of Delgerkhangai soum in Dundgobi aimag, Mongolia. The Mine is approximately 430 kilometres southwest of Ulaanbaatar, 125 kilometres west of Mandalgovi, the capital of Dundgobi aimag and 16 kilometres away from the center of Delgerkhangai soum.

The cut-off coordinates of the deposit area of the Mine is as follows:

Minerals Exploration Special Permit 14536X

Number	Longitude			Latitude		
	Degree	Minute	Second	Degree	Minute	Second
1	104	55	30	45	06	10
2	105	00	00	45	06	10
3	105	00	00	45	04	37.5
4	104	55	30	45	04	37.5

Minerals Exploration Special Permit 15255X

Number	Longitude			Latitude		
	Degree	Minute	Second	Degree	Minute	Second
1	104	55	30	45	04	37.5
2	104	56	13.5	45	04	37.5
3	104	56	13.5	45	03	46
4	104	57	54.5	45	03	46
5	104	57	54.5	45	04	37.5
6	105	00	00	45	04	37.5
7	105	00	00	45	03	00
8	104	55	30	45	03	00

Minerals Mining Special Permit 15287A

Number	Longitude			Latitude		
	Degree	Minute	Second	Degree	Minute	Second
1	104	56	13.5	45	04	37.5
2	104	57	54.5	45	04	37.5
3	104	57	54.5	45	03	46
4	104	56	13.5	45	03	46

The mining area and Delgerkhangai soum is connected by gravel roads. There is telephone line to connect with the provinces. For water supply, there are three deep wells of approximately 1–1.5 kilometres away from the mining area with 25–30 metres deep.

According to the CBE Resources Report dated 27 October 2009 issued by CBE LLC, it is estimated that the Mine has total resources as follows:

Mongolian/ Russian Resource category	**Gold** *(tonnes)*	**Silver** *(tonnes)*	**Copper** *(tonnes)*
A	0.66	16.53	9,221.82
B	1.86	74.96	105,837.25
C1	0.61	69.66	76,752.55
C2	1.06	35.19	1,251,128.49
Total = A+B+C1+C2	4.19	196.34	1,442,940.11

Note: As advised by CBE LLC, when comparing the Mongolian/Russian standards with the Australian JORC Code generally, categories A and B are roughly comparable to Measured Resources; Category C1 is roughly comparable to Indicated Resources; and Category C2 is roughly comparable to Inferred Resources.

The resource data are estimates using Mongolian/Russian standards, which, although are not recognized international standards such as the Australian JORC Code, are standards accepted by the authorities of Mongolia as standard in estimating the resources of mines.

On 24 November 2009, ISE registered with MRAM that 1st Zone of the Mine contains 9,200 tonnes of copper belonging to category A, 49,400 tonnes of copper belonging to category B and 76,800 tonnes of copper belonging to category C.

The Board understands that the Mongolian/Russian standards are primarily based on the Russian System which was approved by Gosudarstvenny Komitet Zapasam (the Russian State Commission on Mineral Reserves) of the Soviet Union in 1965. It is based principally on the degree of geological knowledge and the technical ability to extract a mineral reserve.

In addition, the Company has engaged BMI Technical Consulting to prepare the Technical Report based on the Australian JORC Code which is set out as Appendix VI to this circular. The resources amount of the Mine as estimated by BMI Technical Consulting is summarized as follows:

Gold Resource of the area covered by the ISE Mining Licence ("1st zone")

Resource Classification	Ore Resource *(tonne)*	Average Grade Au *(gram/tonne)*	Ag *(gram/tonne)*	Cu *(%)*	Metal Contents Au *(tonne)*	Ag *(tonne)*	Cu *(tonne)*
Measured Resource	5,836,840	2.189	17.433	0.06	1.26	19.25	3,336
Indicated Resource	5,284,220	3.047	19.855	0.05	0.51	37.61	2,642
Total	11,121,060	2.460	17.850	0.04	1.77	56.86	5,978

Massive Copper-Sulfide Resource of the 1st Zone in the Mine

Resource Classification	Ore Resource (tonne)	Average Grade Au (gram/tonne)	Average Grade Ag (gram/tonne)	Average Grade Cu (%)	Metal Contents Au (tonne)	Metal Contents Ag (tonne)	Metal Contents Cu (tonne)
Measured Resource	3,289,770	0.405	5.126	1.682	0.62	48.94	55,318
Indicated Resource	4,843,820	0.37	5.44	1.53	0.10	32.05	74,110
Total	8,133,590	0.39	5.07	1.68	0.72	80.99	129,428

Massive Copper-Sulfide Resource of the area covered by the ISE Exploration Licences ("2nd zone")

Resource Classification	Ore Resource (tonne)	Average Grade Au (gram/tonne)	Average Grade Ag (gram/tonne)	Average Grade Cu (%)	Metal Contents Au (tonne)	Metal Contents Ag (tonne)	Metal Contents Cu (tonne)
Measured Resource	4,423,955	0.405	3.49	1.275	0.64	23.30	56,405
Inferred Resource	94,353,580	0.369	6.50	1.326	1.06	35.19	1,251,129
Total	98,777,535	0.387	4.995	1.301	1.70	58.49	1,307,534

Based on the Technical Report, the Mine is estimated to have total resources of approximately 4.19 tonnes of gold, 196.34 tonnes of silver and 1,442,940 tonnes of copper.

The following table summarizes the resources estimation of the Mine as shown in the Technical Report:

Resource Classification	Metal Contents Gold (tonne)	Metal Contents Silver (tonne)	Metal Contents Copper (tonne)
Measured Resource	2.52	91.49	115,059
Indicated Resource	0.61	69.66	76,752
Inferred Resource	1.06	35.19	1,251,129
Total	4.19	196.34	1,442,940

Note: As advised by CBE LLC and BMI Technical Consulting, when comparing the Mongolian/Russian standards with the Australian JORC Code, categories A and B are roughly comparable to Measured Resources; Category C1 is roughly comparable to Indicated Resources; and Category C2 is roughly comparable to Inferred Resources. Please refer to pages VI-29–VI-30 of the Circular for more detail.

Investment plan and business model

The ISE Mining Licence has an initial period of 30 years and extendable by two successive 20 years each in accordance with the Minerals Law. The Company intends to produce copper but not gold or silver in respect of the 1st Zone of the Mine at this stage. To this end, pursuant to the Feasibility Report, the Company intends to establish a copper processing plant at the 1st Zone of the Mine upon Completion. The project comprises two phases. Phase I is expected to commence in the second half of 2010 following Completion and consist of initial set-up costs, including work in relation to the survey and design of the 1st Zone of the Mine and the construction of processing plant, office, storage for explosive materials, garage and repair unit and staff accommodation, open pit mining preparation, ore processing work and ancillary work all of which are expected to be completed in first half of 2012. After the completion of construction of Phase 1, the 1st Zone of the Mine is expected to produce 5,000 tonnes of copper cathode per year in the first twelve months of operation. The Company proposes to commence development of Phase II after the satisfactory completion and operation of Phase I which is expected to be on or around late 2012. Phase II is expected to increase the processing capacity of the 1st Zone of the Mine to 30,000 tonnes of copper cathode per year. The detailed business plan and expansion schedule of Phase II is expected to be available at the end of 2012. As at the Latest Practicable Date, however, the detailed business plan of the expansion has yet to be finalized. The expected total cost for Phase I is approximately US$23,000,000 (equivalent to approximately HK$178,250,000), of which approximately US$2,600,000 expected to be incurred in the second half of 2010, US$14,000,000 in 2011 and US$6,400,000 in 2012. Set out below is the breakdown of the expected initial set-up cost for Phase I:

Category	**Details**	**Expected cost** *(in thousand US$)*
Mining equipment	Purchase of truck, bulldozer, wheel loader and drilling rig	2,682.5
Processing plant equipment	Plant construction, purchase of leaching facilities, laboratory equipment and transit pipework	10,506.4
Construction facilities	Construction of office, storage for explosive materials, garage and repair unit and staff's accommodation	407.2
Other equipment	Purchase of fuel tanker, car, truck, power lines and sub-power station	475.6

Category	**Details**	**Expected cost** *(in thousand US$)*
Pre-production	Dredging, initial replenishment reagent, transportation and management expenses and other expenses in relation to hydrogeology and topography	7,745.1
Contingency	Additional 5% of total cost above is prepared as buffer and contingency fund	1,090.8
Total investment		22,907.6

Phase II is expected to cost approximately US$9,000,000 (equivalent to approximately HK$69,750,000). These costs includes approximately US$8,000,000 for the purchase of additional mining equipment and approximately US$1,000,000 for the purchase of other equipment. Taking into account the existing financial resource of the Group which has audited net assets of approximately HK$507,197,000 as at 31 December 2009 as disclosed in the 2009/10 interim report of the Company, the capital investment on the Mine will be financed, depending on the then circumstances, by way of internal resources, borrowings and/or net proceeds from equity financing activities from time to time. The Company shall comply with the relevant disclosure and Shareholders' approval requirement under the Listing Rules regarding the proposed fund raising activity at all times.

According to the Feasibility Report, ISE will adopt the open pit mining method at the Mine, which primarily uses Hydrometallurgical technology for the extraction of pure copper from the ores. In the hydrometallurigical process, copper is extracted from mainly low grade oxide ores and also some sulphide ores through leaching (solvent extraction) and electrowinning (SX/EW process). The process involves leaching the material with a weak acid solution. This solution, known as pregnant liquor, is recovered and then contacted with an organic solvent, referred to as the extractant, in the solvent extraction stage (SX). The copper is extracted away from the aqueous phase leaving behind most of the impurities that were in the leach solution. Since the copper ion is exchanged for hydrogen ion, the aqueous phase is returned to its original acidity and recycled to the leaching step of the process. Meanwhile, the copper-bearing organic phase is stripped of its copper by contacting it with a strongly acidified aqueous solution at which time the copper is moved to the aqueous phase while the organic phase is reconstituted in its hydrogen form. The copper-bearing aqueous phase is advanced to the electrowinning (EW) stage of the process while the barren organic phase is returned to the extraction stage of the process. In the electrowinning stage of the process the copper is reduced electrochemically from copper sulfate in solution to a metallic copper cathode.

The Directors believe that the outlook of the world economic is optimistic. As mentioned in the World Economic Outlook Update on 26 January 2010 issued by International Monetary Fund (IMF), the world output is expected to rise by 4 percent even though the speed of recovery of different countries varies. In particular, China's economic growth is expected to remain strong in 2010. According to the National Bureau of Statistics of China, Inner Mongolia was the fastest growing province in China in 2007 in terms of GDP growth with a 19.1% growth rate. The trend of economic growth continued in 2008. Inner Mongolia recorded a 17.2% GDP growth rate which was above the China national GDP growth rate of 9%. The demand for metals such as copper is expected to further increase with the PRC government's policy to increase internal demand and continued economic growth.

The Directors believe that fabricators of copper rod and copper wire and metal traders of Inner Mongolia have strong incentives to import copper from its adjacent countries, such as Mongolia, as this can reduce the costs of transportation and satisfy the increasing demand of the region.

Accordingly, output from the Mine is intended to be sold to third party fabricators of copper rod and copper wire and metal traders in Inner Mongolia, the PRC. Output from the Mine may also be used by the Company's existing smelting and casting production facilities located in Dongguan of Guangdong Province, the PRC which has an annual production capacity of 60,000 tonnes of copper rods and copper wires. However, at this stage, the Company has no intention to implement the latter action.

The determination of copper prices of the mineral products is primarily based on the prevailing prices in the international and domestic markets. The Company's market positioning and sales strategies will be determined by the market conditions and the copper's quality upon commencement of production.

As a general practice in the copper market, payments from customers are normally settled by cash on delivery.

The goods and materials needed for the construction and future products are generally transported by road transportation. The main raw materials and other consumables the Mine used in the resources development business include electricity, fuels, water, explosives and chemicals products. The electricity and fuels supplies of the plant will be available from the nearby electricity distribution station whilst the water utilization will be originated from the underground water. Other production materials can be purchased locally or imported from the PRC.

Substantially all of ISE's revenues will be derived from production from its Mine. The company's costs will primarily be comprised of the cost of exploring and producing copper from its mines and secondarily from depreciation and depletion. Significant costs of mining are diesel fuel, electricity and equipment maintenance. In a mill, costs are dependent mainly on the ore grade and on the metallurgical characteristics of the ore (which can impact recovery). For example, a higher grade ore will typically contribute to a lower cost of production. Significant costs of milling are reagents, mill maintenance and energy.

Both mining and milling costs are also affected by labour costs, which depend on the availability of qualified personnel in the region where the operations are located, wage rates in those markets, and the number of people required. ISE is obliged to provide employment for citizens of Mongolia, but up to ten percent (10%) of the employees may be foreign citizens. In case the number of hired foreign personnel exceeds the percentage specified by law, ISE shall pay an amount equal to 10 times of the minimum monthly salary which is currently 120,000 MNT (approximately HK$635), for each excessive person every month.

ISE will have to fully compensate owners and users of private and public residential dwellings, wells, winter hunts, other structures, and historic and cultural landmarks if damage is caused by exploration or mining operations, including, if necessary, relocation costs.

Over the life of mine, another significant cost that must be planned for is the closure, reclamation and decommissioning of site. ISE has to carry out remediation and reclamation work during the operating period of the mine where feasible in order to reduce the final decommissioning costs. Nevertheless, the majority of rehabilitation work can only be performed following the completion of mining operations. ISE has budgeted 20% of the after tax operation profit of ISE for the costs of closure, reclamation and decommission of the site. ISE annually shall deposit 50% of the upcoming year's reclamation budget into a government account and recovers this money when the annual reclamation commitments are completed. Since it has obtained its minerals mining and exploration licences, ISE deposited MNT 200,000 in the specified bank account on 16 October 2009, about US$280 at the current USD exchange rate in Mongolia. This estimated cost is only for their environmental policies for 2009, this amount can be changed during the following years depending on their exploration and mining activities.

Apart from this acquisition, the Company continues to strive for strategic acquisitions in mining and processing of copper. Given that demand for copper primarily comes from the production of cable, wire and electrical products for both the electrical and building industries, the Directors consider demand for copper will continue to driven by the growth in the electronics and building industries in the future. The Directors also believe that, driven by the strong economic growth in the PRC, the demand for copper will continue to be strong in the near future as well.

Management team of the mining operations

Upon Completion, the Group will appoint suitable experts and management personnel to ISE to ensure continual efficient operation of ISE. Set out below are the biographies of the management team of ISE to be appointed by the Group after Completion:

Mr. Chau Lai Him

Mr. Chau is the chairman and managing director of the Company. He has experience in the iron ore mining operation and investment in mineral resources business and is equipped with extensive business networks. He also has extensive experience in the business planning, management and production technology of copper smelting and casting of copper products through his years working in the copper, cable and wire industry. Mr. Chau has managed a copper fabricator which is a wholly-owned subsidiary of the Company in Dongguan since 1998, which produce copper rods and copper wires from copper cathodes, with a monthly output of approximately 4,500 tonnes. These copper rods and wires are mostly sold to manufacturers of power wires and cables for home electrical appliances and electronic products in the PRC market.

Mr. Chan Sio Keong

Mr. Chan is an executive director of the Company. He has experience in investment in resources business and has been involved in the operation of an iron ore mine in Chengde, Hebei Province, the People's Republic of China. He has gained experience in the production of copper products through a major subsidiary of the Company, which is one of the major copper fabricator in the Peral River Delta Region and principally engaged in the manufacture of copper rod and copper wire.

Mr. Battogtokh Batbold

Mr. Battogtokh graduated from the Mongolian University of Science and Technology with a master degree in mining engineering and a bachelor degree in mining technology engineering. He was a lecturer of the Mongolian University of Science and Technology and taught the courses including mining technology, blasting technology and open pit mining technology. He has more than 8 years experience in mining operations, developing efficient exploration programs, research and development of new mining techniques, especially in blasting, excavation and transportation etc.

Mr. Javzan Altankhuyag

Mr. Javzan graduated from the Mongolian University of Science and Technology with a bachelor degree in mining mechanical engineer. He has experience in exploration and development of open pit mining, such as determining the method of extraction and work as an engineer for operations improvement.

REGULATORY ENVIRONMENT IN MONGOLIA

Overview

Mining operations and exploration activities in Mongolia are subject to extensive laws, governmental regulations, policies and controls.

Business Entity with Foreign Investment and State Registration of a company

Where twenty-five percent (25%) or more of the paid-in capital of a Mongolian company is contributed from foreign sources, such company is deemed to be a business entity with foreign investment ("**BEFI**") and the company must register with the Foreign Investment and Foreign Trade Agency of Mongolia ("**FIFTA**") and obtain a document certifying the company's status as a BEFI.

The definitive record of a company's status in Mongolia is set forth in the registration certificate issued by the State Registration Office ("**SRO**"). Information with respect to amendments to a company's constituent documents, and other pertinent information, is endorsed by the SRO on the back of the Registration Certificate. As a part of the registration process, the SRO requires the submission of a company's charter and founding documents, which can be either in the form of a founding agreement or resolutions. ISE is duly registered with both agencies and has complied with the legal procedures involved in incorporation.

Applicable laws and regulations

On 8 July 2006, the Parliament enacted the new Minerals Law, superseding and replacing the 1997 Minerals Law. Also on 8 July 2006, the Parliament enacted supplementary implementation and procedural legislation to address various transitional issues, including the relevance of the new Minerals Law to exploration and mining licences granted under the 1997 Minerals Law.

Mining Licences

Pursuant to the Minerals Law, a mining licence is granted for an initial period of thirty (30) years. A mining licence holder may apply for an extension of such licence for two successive additional periods of twenty (20) years each. Therefore, the maximum period that a mining licence may be held by one or more holders is seventy (70) years from the date of issue.

Exploration Licences

Pursuant to the Minerals Law, an exploration licence is granted for an initial period of three (3) years. An exploration licence holder may apply for an extension of such licence for two successive additional periods of three (3) years each. Therefore, the maximum period that an exploration licence may be held by one or more holders is nine (9) years from the date of issue.

Licence Registration

The Department of Geology and Mining Cadastre ("**DGMC**") registration is the definitive record of the holders of minerals exploration and mining licences granted pursuant to the Minerals Law. The DGMC is also the office where pledges and transfers of minerals licences must be registered to be effective. Pledges, transfers, and certain other transactions are recorded on endorsement sheets that are separate from, but considered to be an integral part of, each mining licence and exploration licence certificate.

Other relevant legislation

On 9 July 2009, the Parliament also enacted legislation that would prohibit mineral prospecting exploration and mining in water basins and forest areas in the territory of Mongolia, the legislation provides for the revocation of licences affecting such areas. As at the Latest Practicable Date, based on the advice of the Company's Mongolian legal adviser, the area covered by the ISE Licences are not affected by the legislation.

The Parliament also approved the draft *Law on Adhering on the Law on Prohibiting Exploration and Mining of Minerals in Water Basins and Forests* in July 2009. According to this law, mining licences issued around watersheds and forests will be cancelled within five months of the approval of the draft law. Approximately 331 mining companies are said to deplete the water resources of rivers, springs, streams and surface water across Mongolia. MRAM has issued a list of those licences which are subject to this law, as at the Latest Practicable Date, based on the information available, the ISE Mining Licences are not included in the list issued by MRAM and are therefore not subject to this law.

Land Law

In 1988, 1997 and 2002, the Parliament enacted the Law on Land Fee, Surface Law, and Land Law. According to the Land Law and Foreign Investment Law, business entities having a foreign investment may acquire the rights to use land by contract and subject to conditions and procedures set out in the legislation on land in Mongolia. The land use rights will be necessary for the purposes of conducting operations. The duration of land contracts shall be determined by the duration of the operations of such entity having a foreign investment. The initial term of a lease shall not exceed 60 years. The lease may be extended once for a period of up to 40 years. The Company understand that ISE is in the process of obtaining such rights.

ISE mine's possible designation as a deposit of strategic importance

The 2006 Minerals Law also empowers the Parliament to designate mineral deposits that have a potential impact on national security, economic and social development or deposit that have a potential of producing more than 5% of the country's gross domestic product, as deposit of strategic importance. In this regard, on the 6th of February 2007, Parliament issued Order No. 27 on Designating Some Mining Deposits as of Strategic Importance. Accordingly fifteen mining deposits have been declared as having "strategic importance". Strategically important deposits are subject to State acquisition and the State can acquire up to 34% or 50%, depending on the amount of deposits that have been proven.

According to Order No. 27, the Mine is not listed as one of the 15 deposits designated as having strategic importance. However, a gypsum deposit which is located in the same place as the Mine is specified as one of 39 deposits that may be listed as strategically important in the future. For such 39 deposits, the parliament instructed the Mongolian government to estimate/value the resources of these deposits specially and to submit the relevant recommendations as to whether or not these deposits should be designated as of strategic importance to the Parliament. The State agency has not issued findings as of yet on these additional sites.

If the Mine is designated as strategically important, the percentage of the State's share of the Mine shall be determined by an agreement taking into consideration the amount of investment made by the State. The State's share could reach 50%, because the deposit in Shiree Mountain in Delgerkhangai soum of Dundgobi aimag proven reserves were discovered through State funded exploration, as specified in the Order No. 27. As at the Latest Practicable Date, based on the information available, the Mine has not been designated as strategically important.

Pre-mining operation and mining permits

According to Article 23.1 of the Minerals Law, the pre-mining operation is a period after exploration is completed and the resource of the mineral deposit is registered with the State, during which design of the mining operation, feasibility study, mine development and commencement of production will occur. The commencement period for the production of the Mine or mine development period must not be more than three (3) years upon expiration of the exploration licence. At the pre-mining operation stage, which ISE is presently at, the following consents, permits, authorizations and agreements from the relevant state agencies are required:

(a) approval of a feasibility study by the MRAM;

(b) a mining plan, approved by the MRAM;

(c) land use permits and agreements from the governor of the Delgerkhangai soum where the Mine is located;

(d) commencement of construction permission from the State Professional Inspection Agency ("**SPIA**");

(e) approval of the environmental impact assessment report by the Ministry of Environment & Tourism;

(f) permission to commence construction given by the SPIA;

(g) agreement and permit for water use by the governor of the Delgerkhangai soum, where the Mine is located at;

(h) hygiene approval by the SPIA; and

(i) fire approval by Fire Fighting Division of the Disaster Agency.

The Company understands that ISE has prepared and submitted the requisite Feasibility Report to the MRAM for its approval and is in the process of preparing the other relevant documents required. ISE can enter into the pre-mining agreement with the state administrative body after obtaining the consents, permits, authorisations and agreements stated in the paragraph above.

Before the Mine commences production, ISE must also obtain a mining permit from the MRAM. The MRAM appoints a special commission to undertake a comprehensive review on 1) compliance with all pre-mining requirements specified in the Minerals Law, and 2) all feasibility studies and related mining and reclamation plans. If the commission is satisfied that all requirements have been met, it will issue the mining permit for commencement of mining operations.

While carrying out mining activities, the following key obligations must be complied with:

(a) commence mining activities after it has been approved to commence mining by a commission appointed by the state administrative body in charge of geology and mining;

(b) extract the mineral reserves; it is prohibited to mine selecting only high grade areas;

(c) establish boundaries and markings in the area held under the mining licence within three months following the registration of the mining licence in the state register of licences;

(d) protect the environment;

(e) work in cooperation with local administrative bodies on issues of environmental protection, infrastructure development in relation to mine development and mine use and employment;

(f) put in place safety measures to protect citizens of the relevant soum, set up labour safety and hygiene guideline for employees, in accordance with applicable laws and regulations;

(g) all precious metals and stones extracted shall be assayed and registered with the State Assaying Agency; and

(h) take preparatory measures, pursuant to regulations of the professional inspection agency, prior to closure of a mine. ISE must inform the SPIA by an official letter on the whole or partial closure of its mine, at least one year prior to such closure and the following measures must be implemented by ISE:

    (i) to take all necessary measures to ensure safe use of the mine area for public purposes and reclamation of the environment;

    (ii) to take preventive measures if the mining area is dangerous for public use; and

    (iii) to remove all machinery, equipment and other property from the mining area except as permitted by local administrative bodies or the professional inspection agency.

The following documents must be kept at the actual site of the exploration work and at the Mine:

(a) certified copy of the mining and exploration licences;

(b) environmental protection plans and reports;

(c) exploration work plans;

(d) feasibility study on mineral mining and a mining plan reviewed by the relevant organization;

(e) environmental impact assessment;

(f) property lease and sales agreements;

(g) a certificate for establishing and marking the boundary of the mining area; and

(h) agreement on land and water use.

All of ISE's mining activities once operations commence are required to be reported to the relevant state and local authorities.

Policies in connection with quality assurance, safety production and environmental protection

As an exploration and mining licence holder, ISE must comply with the laws and legislations on environmental protection and the Minerals Law. It is prohibited to commence exploration and mining operations without first obtaining written approval from relevant environmental agency.

An exploration licence holder must comply with the following policies regarding environmental protection:

(1) within thirty (30) days following the receipt of an exploration licence, the exploration licence holder must prepare an environmental protection plan which is subject to approval of the Governor of Delgerkhangai soum (in the case of the Mine). This plan shall provide measures to ensure the level of the environment pollution does not exceed the accepted limits and reclamation of the area by means of backfilling, plugging, and cultivation, to allow future utilization for public purposes. Upon approval of the environmental protection plan by the governor, a copy of the plan must be delivered to the local environmental inspection agency; and

(2) The licence holder must also record all instances of adverse environmental impact resulting from its exploration activity in its annual report of the environmental protection plan which contains information on measures taken to protect the environment and proposed amendments to the environmental protection plan directed at preventing the possible impact on the environment of new exploration machinery and technology, and then deliver the report to the Governor of Delgerkhangai soum and the environmental inspection agency as well.

A mining licence holder must prepare an environmental impact assessment which identifies the possible adverse environmental impact from the proposed mining operations on public health and environment, and take preventive measures to avoid and minimize such adverse impacts. The licence holder must also prepare an environmental protection plan which contains measures to ensure that its mining operations are conducted in the least damaging way to the environment and identifies preventive measures to protect the air and water, humans, animals and plants from the adverse effects of its mining operations. Both documents are subject to approval by the Ministry of Environment and Tourism and immediately following the approval of the environmental impact assessment and environmental protection plan, the licence holder shall deliver a copy of the documents to the Governor of aimag, soum and local environmental inspection agency of the area where the Mine is located.

Apart from the above, an environmental protection plan must include storage and control of toxic and potentially toxic substances and materials; protection, utilization and conservation of the surface and underground water; construction of tailings dams and measures ensuring the safety of the mining area; and other measures as may be appropriate for the particular type of mining operation.

Furthermore, the mining licence holder must record all instances of adverse environmental impact resulting from its mining activity, prepare and send a copy of annual report on the implementation of the environment protection plan to the Ministry of Environment and Tourism, the Governor of Delgerkhangai soum (in the case of the Mine) and the professional inspection agency. The report shall contain information on measures taken to protect the environment; new machinery and technology utilized and proposed amendments to the environmental impact assessment and environmental protection plan with regard to possible adverse impact on environment due to expansion of mining operations.

To ensure the discharge of its responsibilities with respect to environmental protection, the licence holder is required to deposit an amount equal to fifty percent (50%) of its environmental protection budget planned by itself for the year, in a special bank account established by the Governor of Delgerkhangai soum (in the case of the Mine). The deposit will be returned if all the obligations of its environmental protection plan are complied with. In case the measures provided in the environmental reclamation plan are not fully implemented, the Governor of Delgerkhangai soum (in the case of the Mine) can dispose of the mentioned deposit and require the licence holder to provide additional fund required, without dispute, to implement such measures.

Annual cost of compliance with the applicable rules and regulations

In compliance with the conditions and requirements set forth in the *Minerals Law*, ISE is obliged to pay licence fees annually with respect to each hectare included within the exploration area covered by its Exploration Licences 14536X and 15255X at the following rates:

US$0.1 per hectare for the first year, US$0.2 per hectare for the second and US$0.3 per hectare for the third year of the term of the exploration licence;

US$1.00 per hectare for each of the fourth to sixth years of the term of the exploration licence; and

US$1.50 per hectare for each of the seventh to ninth years of the term of the exploration licence.

ISE's annual licence fees for the Exploration Licences 14536X and 15255X are as follow:

Term of exploration licence	Exploration Licence 14536X *(in USD)*	Exploration Licence 15255X *(in USD)*
1st year	169	143
2nd year	337	285
3rd year	506	428
4th year through 6th year	1,686	1,426
7th year through 9th year	2,529	2,140

ISE also shall pay licence fees of US$15.0 annually on each hectare included within the area under Mining Licence 15287A. The annual licence fees for the ISE Mining Licence is approximately US$5,268.

There is legal requirement for ISE, as an exploration licence holder, to undertake reconnaissance and exploration work with expenses not less than the amounts specified below on each hectare of the exploration license area:

US$0.50 per hectare for each of the second and third years of the term of the exploration licence;

US$1.00 per hectare for each of the fourth to sixth years of the term of the exploration licence; and

US$1.50 per hectare for each of the seventh to ninth years of the term of the exploration licence.

ISE's annual minimum reconnaissance and exploration work expenses for the Exploration Licences 14536X and 15255X are as follow:

Period	Exploration Licence 14536X *(in USD)*	Exploration Licence 15255X *(in USD)*
2010 through 2011	843	713
2012 through 2014	1,686	1,426
2015 through 2017	2,529	2,140

ISE must pay royalties to the treasuries of the central and local administrative bodies on the sales value of all products extracted from the Mine that are sold, shipped for sale or used. The rate of royalties must be equal to 5.0% of the sales value of all products extracted from the Mine that are sold, shipped for sale, or used.

Taxation which ISE is subject to

ISE is subject to Mongolian income tax, royalty tax on products extracted from the Mines and windfall profit tax.

The income tax rate is between 10% to 25%, depending on the amount of annual taxable revenue.

The royalty tax on products extracted from the Mines is 5% of the sales value. For exported products, the sales value is determined with reference to the average monthly prices of the products, or similar products, based on regularly published international market prices or on recognised principles of international trade.

If the selling price of gold exceeds eight hundred fifty US dollars (US$850) per ounce or the selling price of copper exceeds two-thousand six hundred US dollars (US$2,600) per ton, a sixty-eight percent (68%) Windfall Profit Tax will be applicable to the additional profits. For example, for every ounce of gold sold, the first US$850 received is exempt from the Windfall Profits Tax, but the additional profit above US$850 will be subject to the 68% Windfall Profit Tax. However, the Windfall Profit Tax will be abolished in 1 January 2011.

Compliance history of ISE

ISE has prepared the exploration work plan for 2009 for the area covered by the ISE Exploration Licences and the plan had been duly approved by the relevant government authorities. It has also prepared the environmental impact assessment and paid all the required fees in connection with the ISE Licences.

The Company understand that ISE has submitted the following documents to the relevant government authorities for their approval:

(a) annual report on exploration activities undertaken in 2009

(b) annual report on safety for the year 2009

(c) feasibility study on development of the Mine; and

(d) environmental protection plan for 2010.

The governor of Delgerkhangai soum has provided a written confirmation that ISE is in compliance with the relevant environmental regulations as of 22 September 2009.

ISE has submitted a revised environmental impact general assessment, taking into account the mining activities to be conducted and it was approved by the Ministry of Environment and Tourism in 2009. However, the Ministry of Environment and Tourism instructed ISE to prepare a further environmental impact detailed assessment and submit it by 1st quarter of 2010 for its approval. ISE is also required to submit the basic indicators of its intended mining work approved by surveyors of mines, mining and geometry graphical drawings and report on proposed activities by 15 February 2011 and the estimated data of production for the year 2011 by September 2010. Failure to submit the documents in time may result in fines of MNT500,000 (approximately US$350) to MNT1,000,000 (approximately US$690), if the failure is not rectified after an order from the relevant government authorities, the ISE Mining Licence may be revoked.

RISK FACTORS

New business segment of the Group

The Acquisition constitutes an investment in a new business sector for the Company, being mining. The new business, coupled with the regulatory environment, may pose significant challenges to the Company's administrative, financial and operational resources. Aside from the appointment of experienced experts by the Group to assist the Group to manage and operate the new mining business upon Completion, the Company does not have significant experience in the new business in Mongolia. Pursuant to the Feasibility Report, the development of the Mine comprises of two phases. Phase I will have a production capacity of 5,000 tonnes of copper cathode per year and Phase II is expected to have a production capacity of 30,000 tonnes per year. However, the detailed business or production policy plan or expansion schedule of Phase II is not yet available. The Board's assessment of the economic feasibility of the new business is based on the Feasibility Report which has been prepared using certain assumptions and bases and is preliminary in nature. There is no certainty that the production capacity or sales figures in the Feasibility Report can be achieved. The Board is not in a position to assure the timing and amount of the return or benefits (if any) that may be received from the new business. If any mining projects in which the Company attempts to develop does not progress as planned, the Company may not recover the funds and resources it has spent, and may incur material loss on its investment which this may affect the financial performance of the Company.

Inaccurate estimations of resources of the Mine and valuation of ISE

The mineral resources of the Mine were estimated by independent technical consultants based on the result of geographical exploration. The resource data may differ materially from the actual mining results. There are many factors, assumptions and variables beyond control that result in inherent uncertainties in estimating resource and prices of minerals. The mineral resources of the Mine estimated by the independent technical consultants may be inaccurate and have large deviation to the actual resources which in turn may affect the valuation of the Mine and ISE.

As advised by Dr. Herman Tso of BMI Technical Consulting, as with all geological occurrences, there is no absolute certainty that further economic sources of minerals will be found in the immediate vicinity. A major factor that may impact on the exploration and recovery of minerals on the properties is that the mining permit is located within a seismic zone and any development of open pit or underground mines will need to consider this risk in its design.

The valuation estimated by the valuer is based on, inter alias, the estimated mineral resources of the Mine as provided by the technical consultants, the estimated prices of copper cathode with reference to the London Market Exchange and the traded forward contract on copper cathode and the estimated operating costs as provided by CBE LLC and the estimated production capacity of the Mine based on the Feasibility Report. There is, therefore, no certainty that ISE will be able to achieve the projected production capacity or sales figures. Particularly, the valuer employed the discounted cash flow method to value ISE and, in respect of which, the discount rate and expected cash flow components of the valuation equation applied by the valuer will significantly affect the results of the valuation. A sensitivity analysis of the effect of different discount rates and different sale prices for the copper produced are shown on page IV-16 of the valuation report. These components of the valuation equation have been determined by reference to a number of variables and assumptions which are subject to change and may not be accurate, including the selling price of copper cathode, the cost of equity, the cost of debt, the weight of debt and the weight of equity. Accordingly, the actual outcome may deviate from the expected outcome and there is, therefore, uncertainty in the valuation of ISE.

Fluctuations on mineral prices

The fluctuations in supply and demand of minerals are caused by numerous factors beyond the Company's control, which include but not limited to global and domestic economic and political conditions, and the growth and expansion in industries with high relevant minerals demand. There is no assurance that the international demand for minerals and related products will continue to grow, or that the international demand for minerals and related products will not experience excess supply.

Significant and continuous capital investment

The mining business requires significant and continuous capital investment. As disclosed in the section "Investment plans and business model" above, the expected initial set-up cost for such mining plant is approximately US$23,000,000, equivalent to approximately HK$178,250,000. Additional set-up cost of approximately US$9,000,000 (equivalent to approximately HK$69,750,000) will be required in the second year. Shareholders and investors should carefully note that expected initial set-up costs as disclosed are not particularly detailed and, especially so for Phase II of the expected capital expenditure. Accordingly, the Company cannot provide any assurance that capital expenditure projects may be completed as planned, may exceed the original budgets and may not achieve the intended economic results or commercial viability. Actual capital expenditures for the new business may significantly exceed the Company's budgets because of various factors beyond the Company's control, which in turn may affect the Company's financial condition.

Operational risks

The Company's mining business is subject to number of risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, unexpected labour shortages, disputes or strikes, cost increases for contracted and/or purchased goods and services; shortages of required materials and supplies; electrical power interruptions, mechanical and electrical equipment failure; changes in the regulatory environment; natural phenomena, such as inclement weather conditions, floods, earthquakes, pit wall failures, tailings dam failures and cave-ins, encountering unusual or unexpected climatic conditions that may or may not result from global warming; and encountering unusual or unexpected geological conditions.

Renewal of ISE Mining Licence

The ISE Mining Licence may or may not be successfully renewed in 2039. If the ISE Mining Licence can not be renewed successfully, the value of the Target Company may be affected.

No assurance can be given that ISE's rights to explore and exploit all of its material properties will not be revoked or significantly altered to ISE's detriment. There can also be no assurance that ISE's right will not be challenged or impugned by third parties, including local governments.

Laws and regulations

As described in the section entitled "Regulatory Environment in Mongolia", mining operations and exploration activities are subject to extensive laws, governmental regulations, policies and controls. These relate to, among other things, land use rights, production, development, exploration, exports, imports, taxes, royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response and other matters.

As ISE prepares for its operation stage, it will need to comply with such laws, governmental regulations, policies and contracts. There are risks associated with such compliance. ISE is in the process of obtaining the land use permit from the relevant government authority with respect to the Mine, if it fails to obtain the land use permit, it may adversely affect ISE's mining operation. Furthermore, there can be no assurance that the relevant government will not change such laws and regulations or impose additional or more stringent laws or regulations. Failure to comply with the relevant laws and regulations in the projects may adversely affect the Company.

ISE's operation may be affected in varying degrees by government regulations with respect to restriction on production, price controls, export controls, income taxes, expropriation of property, environmental legislations, labour legislation, mine safety, and annual fees to maintain mineral properties in good standing. There can be no assurance that the laws in the country protecting foreign investments will not be amended or abolished.

Country and political risk

The Company is entering a new business in Mongolia, in which the Company does not have any business presence. There can be a risk relating to the likelihood that changes in the business environment will occur which may affect the profitability of doing business in Mongolia. The Company also noted that the recent resignation of the Mongolian Prime Minister Bayar Sanjaa may bring political uncertainty in Mongolia. These changes of political and economic conditions in Mongolia may adversely affect the Company.

The relevant government has granted permits, licences or concessions that enable ISE to conduct operations or exploration and development activities, is subject to obtaining and/or renewing permits or concessions, changes in laws or government regulations or shifts in political attitudes beyond ISE's control.

Government policy may change to discourage foreign investment, renationalization of mining industries may occur or other government limitations, restrictions or requirements not currently foreseen may be implemented. There can be no assurance that ISE's assets will not be subject to nationalization, requisition or confiscation whether legitimate or not, by any authority or body. While there are often provisions for compensation and reimbursement of losses to investors under such circumstances, there is no assurance that such provisions would effectively restore the value of ISE's original investment.

There can be no assurance that ISE minerals assets will not be deemed of national or strategic importance, in such case it may be subject to nationalisation, or confiscation, whether legitimate or not, by relevant government authority and body. Government policy may change to discourage foreign investment, renationalisation of mining industries may occur or other government limitations, restrictions or requirements not currently foreseen may be implemented.

In this regard, the Parliament has passed a new Minerals Law that among other things empowers the Parliament to designate mineral deposits that have a potential impact on national security, economic and social development or deposit that have a potential of producing more than 5% of the country's gross domestic products as deposit of strategic importance. The state may take up to a 50% interest in investment made and to be made by a licence holder in a minerals deposit of strategic importance depending on how the proven reserves are determined through funding sources other than the state budget. Therefore, the Parliament may designate the Mine as a strategic deposit and take up to a 50% interest in it under the Minerals Law, if the ISE mineral deposits meet with the requirements of a strategic important deposit. The actual percentage of the state's share shall be determined by an agreement on deposit use in consideration of the amount of investment made by the state. The actual impact on the Group's profit sharing, ownership, nor the management in ISE will depend on the negotiation between ISE and the government. The Minerals Law does not provide an exact timeframe for the negotiation and it is possible that the negotiation time can take up to 3 years or longer. Any material progress and the result of such negotiation will be disclosed by way of announcement by the Company in accordance with the Listing Rules.

The Mongolian Government has also passed a law that imposes a windfall profits tax of 68% when the market price of gold exceeds US$850 per ounce or copper exceeds US$2,600 per ton. Recently, the Parliament passed the Law on Terminating the Windfall Profit Tax and this law shall go into effect from 1 January 2011. Therefore, the ISE mineral deposit shall be subject to the windfall profit tax until 2011.

The foregoing uncertainties and changes in government regulations and policies and practices may have an adverse impact on ISE's future cash flow, earnings, results of operations and financial conditions.

Environmental policies risk

The mining operations produce significant amounts of waste water and solid waste materials. Therefore, the Company will be subject to significant and extensive safety and environmental protection laws and regulations in Mongolia. The Company is not able to determine the expected amount of costs at this stage. ISE will reserve 20% of the after tax operating profit as the cost of compliance with relevant environmental policies. There is uncertainty as to when after tax operating profits will be generated and what this sum is. Accordingly, the amount to be reserved may change in the following years depending on the activities of ISE. As confirmed by the governor of Delgerkhangai soum in which the Mine is located, ISE is currently in compliance with relevant environmental regulations. If the Company fails to comply with current or future environmental laws and regulations, the Company may be required to pay penalties or fines or take corrective actions, it may be prevented from conducting any mining activities and its mining and exploration licences may be revoked, any of which may have a material adverse effect on the Company's business operations and financial condition.

Completion risk

Completion of the Acquisition is subject to satisfaction of the conditions as mentioned above, not all of which are within the control of the Company. In particular, there is no assurance that the Shareholders who are allowed to vote under the Listing Rules at the SGM will approve the Acquisition, the Agreement, the issue of the Convertible Bond and the Conversion Shares and the increase of authorised share capital of the Company, and if such approval were granted, there is no assurance that such approval will not be or be proposed to be revoked. Should any of the above happen, the Acquisition may not complete.

Risk relating to uncertain interpretation of the Mongolian laws and regulations and legal proceedings in Mongolia

The business and operations of the Target Company are governed by Mongolian laws and regulations. In the course of constructing and operating the project, legal disputes may arise from, among others, the Group's relationships with its third party contractors, workers on the Mine, the local community, health and safety issues, environmental impacts, land titles and resettlement of people residing in the area that will be affected by the Mine. In the event of a dispute arising at ISE's operations, the Target Company may be subject to the exclusive jurisdiction of Mongolian courts. Legal proceedings in Mongolia are often a protracted and uncertain process. Decisions of courts in Mongolia on matters of Mongolian law are not mandatorily or customarily binding on lower courts or in the same court in any subsequent case. Depending on the government agency or how an application or case is presented to an agency, the Group may receive less favourable interpretations of laws and regulations than our competitors. In the event that the Group is involved in any legal proceedings, there may be uncertainties as to the outcome of such proceedings. In addition, any protracted legal proceedings may cause substantial costs to be incurred and significant management time to be spent, resulting in diversion of resources as well as management attention. Furthermore, the Group may also be hindered or prevented from enforcing its rights with respect to any agreement with a

Mongolian governmental agency, as there can be no assurance that a particular governmental agency, entity or instrumentality will comply with the provisions of the agreements

INFORMATION ON THE GROUP

The Group is principally engaged in the manufacture and trading of cables and wires for use in household electrical appliances and electronic products, copper products, connectors and terminal and wire harness. The Directors have been seeking suitable investment opportunities from time to time to broaden the Group's source of income.

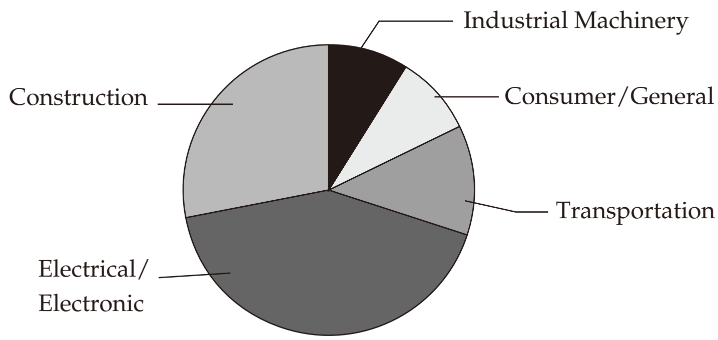
The Company announced on 8 January 2010 that the Group entered into the conditional sale and purchase agreement dated 31 December 2009 in relation to the proposed disposal of the entire issued share capital in New Universe Investments Limited ("**New Universe**") (an indirectly wholly-owned subsidiary of the Company which indirectly holds 90% of equity interests in Brascabos Componentes Elétricos e Eletrônicos Ltda. ("**Brascabos**")) and the 10% equity interest in Brascabos owned by Chau's Industrial Investment Limited, a wholly owned subsidiary of the Company (the "**Disposal**").

New Universe is an investment holding company and its subsidiaries are principally engaged in the manufacture and trading of power cords, wire harnesses, connectors and terminals in Malaysia, Singapore, the PRC, Thailand and Brazil. If the Disposal does not take place, it is expected that the Company will need to continue to dedicate resources towards the operation and development of such business including those located in diverse developing countries, which would include substantial further investments. Further, given the relatively heavy tax levy and lack of tax relief on the business located in countries other than the PRC, such business generated only a net profit after taxation of approximately HK$4,380,000 for the year ended 30 June 2009. Upon completion of the Disposal, the Company will continue to focus on, and dedicate its resources towards the manufacture and trading of cables and wires and copper products based in the PRC and its mining business based in Mongolia. The Company and its Directors have no other agreement, understanding, negotiation nor intention to dispose of or downsize or terminate the existing business and to acquire any other businesses.

INDUSTRY OVERVIEW

As technology progressed the uses for copper increased. With the increased demand, exploration for the metal was extended throughout the world. Copper is an excellent conductor of electricity, as such one of its main industrial usage is for the production of cable, wire and electrical products for both the electrical and building industries. The construction industry also accounts for copper's second largest usage in areas such as pipes for plumbing, heating and ventilating as well as building wire and sheet metal facings.

The following chart, which is extracted from the website of the London Metal Exchange, illustrates the industrial consumption of copper by industry:

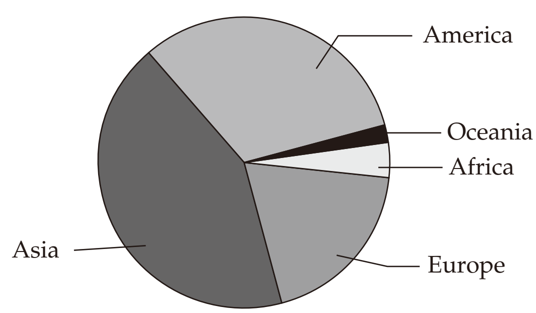


Industry	%
Electrical/Electronic	42
Construction	28
Transportation	12
Consumption/General	9
Industrial Machinery	9
Total	100

Source: Standard CIB Global Research, www.standardbank.co.za, the research arm of the corporate and investment banking unit of Standard Bank

According to the Annual Data 2009 published by Copper Development Association, an industry association found by the international copper producers, Mongolia and China are the major copper ores producer in Asia.

The following chart, which is extracted from the website of the London Metal Exchange, illustrates the world copper production by region:



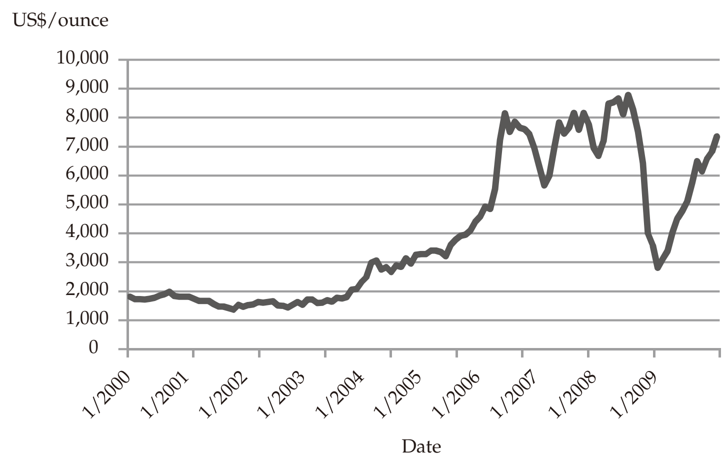
Region	%
Asia	43
America	32
Europe	19
Africa	4
Oceania	2
Total	100

Source: World Bureau of Metal Statistics, www.world-bureau.com, an independent data resource for the global metal industry launched in 1947

As consumption in India and China increases, copper supplies are becoming scarcer. The copper price has quintupled from the 60-year low in 1999. By early February 2009, however, weakening global demand and a steep fall in commodity prices since the previous year's highs had left copper prices at a substantially lower level.

Set out below is the price graph of Grade A copper from January 2000 to December 2009:

Copper



Source: Bloomberg

The above illustration shows the price of Grade A copper (the expected specification of the copper cathode to be produced by ISE) quoted on the London Metal Exchange rebounding in 2009. According to an article named "POLL-Long-term lead, copper price forecasts up sharply" published on Reuters in October 2009, demand for copper is primarily driven by the application in power and construction in China, which is the world's largest consumer accounting for more than 30% of annual global consumption estimated at about 16 million tonnes.

REASONS FOR THE ACQUISITION

The Board is of the view that investing in the production of copper will be a good opportunity of the Group to take advantage of the rising trend of the prices of copper and broaden the Group's source of income. The Board considers that the Acquisition will be a good opportunity for the Group to enter into this promising industry. In recent years, the fluctuation of the market price of copper has a large impact on the profitability of the Company. The Directors believe that the copper produced from the Mine could act in part, as a hedge and could be used as the raw materials for the existing copper business of the Group and the Acquisition of the Mine will assist the Company in making its copper business more vertically integrated. The Directors believe that the Company's experience in the copper business will contribute to the success of the new copper mining business.

The Board is aware of the risks associated with the Acquisition as set out in the paragraph headed "Risk factors" above. By adopting the appropriate strategy and investment plan in the Mine and appointing appropriate and experienced experts to manage the new mining business, the Board is of the view that the Group can reduce the possible impacts of most of the risks associated with the Acquisition. In addition, as the Consideration is determined based on a valuation prepared with reference to the pricing of other reported similar transactions, the inherent risks (such as the fluctuation of copper, gold and silver price in the world market and recoverability of the resources) related to acquisitions of similar nature has been, to a considerable extent, incorporated in the valuation. As the Consideration represents a discount of approximately 17.1% to the valuation report of the Mine prepared by BMI, the Directors consider that the Consideration is fair and reasonable.

Based on the above, the Directors consider that the terms of the Acquisition are fair and reasonable and that the Acquisition is in the interests of the Company and Shareholders as a whole.

Save for the Disposal as detailed in the section headed "Information on the Group", it is the intention of the Company to continue with its existing businesses. As at the Latest Practicable Date, there is no other agreement, understanding, negotiation nor intention to dispose of or downsize the Group's existing businesses. However, for the interests of the Shareholders, the Company will from time to time deploy its resources in line(s) of business that generates profit and downsize and/or dispose of its loss-making line(s) of business in future.

The Company has no intention to change the composition of the Board following Completion and the Board confirms that the Company does not intend to nominate Mr. Liu Yong and/or his nominees to be Director(s). Save for the appointment of experts as disclosed in "Management team" above, the Board does not intend to make any changes in the existing senior management of the Group.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the results of the Target Group will be consolidated into the financial statements of the Group.

Earnings

As noted from the unaudited pro forma financial information on the Enlarged Group set out in Appendix III to this circular, the unaudited pro forma loss of the Company for the year ended 30 June 2009 would have amounted to approximately HK$489.7 million as compared to the audited loss of the Company for the year ended 30 June 2009 of approximately HK$471.0 million.

In light of the prospects of the Target Group, the Directors are of the view that the Acquisition would likely have a positive impact on the future financial performance of the Enlarged Group.

Net asset value

As noted from the unaudited pro forma financial information on the Enlarged Group set out in Appendix III to this circular, the unaudited pro forma net asset value attributable to the equity holders of the Company as at 31 December 2009 would have amounted to approximately HK$506.9 million as compared to the audited net asset value attributable to the equity holders of the Company as at 31 December 2009 of approximately HK$507.2 million.

Gearing

According to the audited consolidated balance sheet of the Company as at 31 December 2009, the Group had a gearing ratio, calculated as total liabilities over total assets, of approximately 50.6%. Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular, the gearing ratio of the Enlarged Group, calculated as total liabilities over total assets, would increase to approximately 79.5%.

IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratio as defined in the Listing Rules of the Acquisition exceeds 100%, the Agreements constitute a very substantial acquisition for the Company under the Listing Rules and are subject to the approval of Shareholders. A SGM will be held to consider and, if thought fit, approve the resolution in respect of the Acquisition. As no Shareholder has any material interest in the Acquisition, no Shareholder is required to abstain from voting in the SGM in respect of the resolution to approve the Acquisition.

INCREASE OF AUTHORISED SHARE CAPITAL

No increase in the Company's authorised share capital is necessary for the purpose of issuing the Conversion Shares. However, the Company would like to take this opportunity to increase its authorised share capital and proposes to increase its authorised share capital from HK$300,000,000 to HK$500,000,000.

SGM

Set out on pages SGM-1 to SGM-2 is a notice convening the SGM to be held at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong at 10:00 a.m. on Tuesday, 27 April 2010 at which relevant resolution(s) will be proposed to the Shareholders to consider and, if thought fit, approve the Acquisition.

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

RECOMMENDATION

The Board considers that the terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions as set out in the notice of SGM.

ADDITIONAL INFORMATION

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

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

SUMMARY OF FINANCIAL RESULTS

Set out below is a summary of the financial information of the Group for the three years ended 30 June 2009 and six months ended 31 December 2009 as extracted from the relevant annual reports and interim report of the Company.

Consolidated statement of comprehensive income

	Six months ended 31 December 2009 HK$'000	Year ended 30 June 2009 HK$'000	Year ended 30 June 2008 HK$'000	Year ended 30 June 2007 HK$'000
Turnover	827,059	1,136,945	3,493,526	3,859,828
Cost of sales	(705,338)	(1,066,956)	(3,262,528)	(3,607,825)
Gross profit	121,721	69,989	230,998	252,003
Interest income	352	5,839	16,859	24,863
Other income	3,881	28,508	32,895	30,819
General and administrative expenses	(91,322)	(142,055)	(200,841)	(178,548)
Selling and distribution expenses	(10,443)	(24,041)	(41,809)	(35,540)
Change in fair value of derivative financial instruments	5,059	(140)	47,830	(269)
Change in fair value of conversion option of convertible notes	–	–	7,167	5,325
(Allowance)/reversal of allowance for doubtful debts	(280)	(11,175)	598	(6,065)
Impairment loss on loan receivable	–	(44,960)	–	–
Impairment loss on property, plant and equipment	–	(62,102)	–	–
Impairment loss arising from adjustment to fair value less cost to sell	(230,418)	–	–	(28,000)
Finance costs	(7,521)	(20,193)	(56,064)	(66,874)
Share of results of associates	(1,881)	(122,246)	284	148
Share of results of jointly-controlled entities	–	–	(625)	(369)
(Loss)/gain on deemed disposal of a listed associate/subsidiary	–	(54,595)	11,351	(1,067)
Loss on disposal of a listed associate	–	(89,736)	–	–
Discount on acquisition of additional interests in a subsidiary	–	1,971	–	4,581
Gain on asset swap	–	14,322	–	–
(Loss)/profit before taxation	(210,852)	(450,614)	48,643	1,007
Taxation	(22,089)	(20,391)	(24,190)	(5,923)
(Loss)/profit for the year	(232,941)	(471,005)	24,453	(4,916)
Other comprehensive income:				
Exchange differences on translating foreign operations	14,131	(26,388)	71,402	30,934
Other comprehensive income for the period/year	14,131	(26,388)	71,402	30,934
Total comprehensive income for the period/year	(218,810)	(497,393)	95,855	26,018
(Loss)/profit for the period/year attributable to:				
Owners of the Company	(232,941)	(470,900)	19,847	782
Non-controlling interests	–	(105)	4,606	(5,698)
	(232,941)	(471,005)	24,453	(4,916)
Total comprehensive income attributable to:				
Owners of the Company	(218,810)	(497,161)	72,198	24,119
Non-controlling interests	–	(232)	23,657	1,899
	(218,810)	(497,393)	95,855	26,018

Assets and liabilities

	At 31 December 2009 HK$'000	At 30 June 2009 HK$'000	At 30 June 2008 HK$'000	At 30 June 2007 HK$'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	310,229	411,412	565,207	611,996
Prepayments for acquisition of property, plant and equipment	1,600	1,600	17,443	22,648
Prepaid lease payments for lands – non-current portion	96,794	105,394	46,455	80,220
Interests in associates	9,429	11,310	322,417	11,196
Interests in jointly-controlled entities	–	–	–	18,023
Deferred tax assets	–	–	6,316	6,275
Goodwill	–	23,389	23,389	23,389
Loans receivable	–	–	–	46,898
	418,052	553,105	981,227	820,645
Current assets				
Inventories	115,411	178,284	266,765	512,092
Debtors, other loans and receivables, deposits and prepayments	133,118	212,602	311,844	516,946
Bills receivable	18,117	13,172	24,484	62,733
Prepaid lease payments for land – current portion	2,602	2,593	1,189	1,801
Derivative financial assets	788	54	1,702	2,034
Notes receivable	–	–	–	55,000
Tax recoverable	465	3,893	1,396	454
Pledged deposits and bank balances	45,104	48,136	36,619	96,650
Bank balances and cash	130,703	98,442	85,817	286,070
	446,308	557,176	729,816	1,533,780
Assets classified as held for sale	162,931	–	–	79,744
	609,239	557,176	729,816	1,613,524
Current liabilities				
Creditors, other advances and accrued charges	53,782	138,805	198,563	232,468
Bills payable	84,100	107,144	12,613	161,019
Amount due to an associate	–	–	202,054	–
Taxation	327	7,776	7,333	11,289
Obligations under finance leases	860	4,077	3,707	3,185
Borrowings	214,314	185,846	155,450	717,719
Deferred consideration payable	6,750	–	–	–
Derivative financial liabilities	–	520	9,171	9,967
Convertible notes – liability component	–	–	–	72,128
Convertible notes – conversion option component	–	–	–	7,167
	360,133	444,168	588,891	1,214,942
Liabilities associated with assets classified as held for sale	134,931	–	–	20,332
	495,064	444,168	588,891	1,235,274
Net current assets	114,175	113,008	140,925	378,250
Total assets less current liabilities	532,227	666,113	1,122,152	1,198,895

	At 31 December 2009 HK$'000	At 30 June 2009 HK$'000	At 30 June 2008 HK$'000	At 30 June 2007 HK$'000
Non-current liabilities				
Borrowings	–	4,775	17,065	20,408
Obligations under finance leases	–	2,383	3,469	4,821
Deferred consideration payable	–	6,674	10,342	16,297
Deferred tax liabilities	25,030	26,281	5,171	20,743
	25,030	40,113	36,047	62,269
Net assets	507,197	626,000	1,086,105	1,136,626
EQUITY				
Capital and reserves				
Share capital	13,124	31,685	6,037	4,892
Reserves	479,736	593,815	1,072,570	933,534
Reserve of disposal group classified as held for sale	13,837	–	–	–
Equity attributable to owners of the Company	506,697	625,500	1,078,607	938,426
Share option reserve of a listed associate	–	–	4,795	4,128
Non-controlling interests	500	500	2,703	194,072
Total equity	507,197	626,000	1,086,105	1,136,626

AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2009

Set out below are the full texts of the auditors' report of the Company for the year ended 30 June 2009 as extracted from the 2009 annual report of the Company. Reference to page numbers in the auditors' report and the audited financial statements of the Group is to the page numbers of the 2009 annual report of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

		Continuing operations		Discontinued operations		Total	
		2009	2008	2009	2008	2009	2008
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*6*	1,136,945	3,406,813	–	86,713	1,136,945	3,493,526
Cost of sales		(1,066,956)	(3,190,065)	–	(72,463)	(1,066,956)	(3,262,528)
Gross profit		69,989	216,748	–	14,250	69,989	230,998
Interest income		5,839	16,551	–	308	5,839	16,859
Other income		28,508	31,944	–	951	28,508	32,895
General and administrative expenses		(142,055)	(192,593)	–	(8,248)	(142,055)	(200,841)
Selling and distribution expenses		(24,041)	(39,697)	–	(2,112)	(24,041)	(41,809)
Change in fair value of derivative financial instruments	*23*	(140)	47,830	–	–	(140)	47,830
Change in fair value of conversion option of convertible notes		–	7,167	–	–	–	7,167
(Allowance)/reversal of allowance for doubtful debts	*21(iii)*	(11,175)	598	–	–	(11,175)	598
Impairment loss on loan receivable	*21(vi)*	(44,960)	–	–	–	(44,960)	–
Impairment loss on property, plant and equipment	*15*	(62,102)	–	–	–	(62,102)	–
Finance costs	*10*	(20,193)	(55,616)	–	(448)	(20,193)	(56,064)
Share of results of associates	*18*	(122,246)	284	–	–	(122,246)	284
Share of results of jointly-controlled entities	*18*	–	(625)	–	–	–	(625)
(Loss)/gain on deemed disposal of a listed associate/subsidiary	*34*	(54,595)	11,351	–	–	(54,595)	11,351
Loss on disposal of a listed associate	*34*	(89,736)	–	–	–	(89,736)	–
Discount on acquisition of additional interest in a subsidiary	*34*	1,971	–	–	–	1,971	–
Gain on asset swap	*35*	14,322	–	–	–	14,322	–
(Loss)/profit before taxation	*8*	(450,614)	43,942	–	4,701	(450,614)	48,643
Taxation	*11*	(20,391)	(24,095)	–	(95)	(20,391)	(24,190)
(Loss)/profit for the year		(471,005)	19,847	–	4,606	(471,005)	24,453
(Loss)/profit for the year attributable to:							
Equity holders of the Company	*12*	(470,900)	15,241	–	4,606	(470,900)	19,847
Minority interests		(105)	4,606	–	–	(105)	4,606
		(471,005)	19,847	–	4,606	(471,005)	24,453
Dividend	*13*	–	–	–	–	–	–
(Loss)/earnings per share from continuing and discontinued operations	*14*						(Restated)
– Basic						(77.93) HK cents	17.48 HK cents
– Diluted						(77.93) HK cents	17.09 HK cents
from continuing operations							
– Basic						(77.93) HK cents	13.42 HK cents
– Diluted						(77.93) HK cents	13.13 HK cents

CONSOLIDATED BALANCE SHEET
At 30 June 2009

	NOTES	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	411,412	565,207
Prepayments for acquisition of property, plant and equipment	15	1,600	17,443
Prepaid lease payments for land – non-current portion	16	105,394	46,455
Interests in associates	18	11,310	322,417
Deferred tax assets	31	–	6,316
Goodwill	19	23,389	23,389
		553,105	981,227
Current assets			
Inventories	20	178,284	266,765
Debtors, other loans and receivables, deposits and prepayments	21	212,602	311,844
Bills receivable	22	13,172	24,484
Prepaid lease payments for land – current portion	16	2,593	1,189
Derivative financial assets	23	54	1,702
Tax recoverable		3,893	1,396
Pledged deposits and bank balances	24, 25	48,136	36,619
Bank balances and cash	25	98,442	85,817
		557,176	729,816
Current liabilities			
Creditors, other advances and accrued charges	26	138,805	198,563
Bills payable	27	107,144	12,613
Amount due to an associate	18	–	202,054
Taxation		7,776	7,333
Obligations under finance leases	28	4,077	3,707
Borrowings	29	185,846	155,450
Derivative financial liabilities	23	520	9,171
		444,168	588,891
Net current assets		113,008	140,925
Total assets less current liabilities		666,113	1,122,152

	NOTES	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Borrowings	29	4,775	17,065
Obligations under finance leases	28	2,383	3,469
Deferred consideration payable	30	6,674	10,342
Deferred tax liabilities	31	26,281	5,171
		40,113	36,047
Net assets		626,000	1,086,105
EQUITY			
Capital and reserves			
Share capital	32	31,685	6,037
Reserves		593,815	1,072,570
Equity attributable to equity holders of the Company		625,500	1,078,607
Share option reserve of a listed associate		–	4,795
Minority interests		500	2,703
Total equity		626,000	1,086,105

BALANCE SHEET

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Interests in subsidiaries	17	350,678	983,710
Current assets			
Deposits and prepayments		345	165
Bank balances and cash	25	10,261	719
		10,606	884
Current liabilities			
Other advances and accrued charges		192	617
Amounts due to subsidiaries	17	60,557	60,591
		60,749	61,208
Net current liabilities		(50,143)	(60,324)
Net assets		300,535	923,386
Capital and reserves			
Share capital	32	31,685	6,037
Reserves	33	268,850	917,349
Total equity		300,535	923,386

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

	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 2007	4,892	160,800	587,012	19,056	5,090	1,760	159,816	938,426	4,128	194,072	1,136,626
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 32)*	970	62,996	–	–	–	–	–	63,966	–	–	63,966
Issue of shares upon exercise of share options *(Note 32)*	175	4,951	–	–	–	–	–	5,126	–	–	5,126
Transfer upon exercise of share options *(Note 32)*	–	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	–	–	–	(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

	Share capital	Share premium	Contributed surplus	Exchange reserve	Statutory reserve fund	Share option reserve	(Accumulated losses)/ retained profits	Total	Share option reserve of a listed 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 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
Exchange differences arising on translation of foreign operations, share of reserve of associates and jointly-controlled entities and total income for the year recognised directly in equity	–	–	–	(26,261)	–	–	–	(26,261)	–	(127)	(26,388)
Release upon disposal of interests in a listed associate and asset swap *(Notes 34 & 35(ii))*	–	–	–	(32,117)	–	–	–	(32,117)	–	–	(32,117)
Loss for the year	–	–	–	–	–	–	(470,900)	(470,900)	–	(105)	(471,005)
Total recognised expense for the year	–	–	–	(58,378)	–	–	(470,900)	(529,278)	–	(232)	(529,510)
Open offer of new shares *(Note 32)*	24,146	35,843	–	–	–	–	–	59,989	–	–	59,989
Placement of new shares *(Note 32)*	1,200	6,469	–	–	–	–	–	7,669	–	–	7,669
Issue of shares upon exercise of share options *(Note 32)*	302	2,082	–	–	–	–	–	2,384	–	–	2,384
Transfer upon exercise of share options *(Note 32)*	–	667	–	–	–	(667)	–	–	–	–	–
Cancellation and lapse of share options	–	–	–	–	–	(5,044)	9,839	4,795	(4,795)	–	–
Disposal of a listed associate	–	–	–	–	(5,897)	–	5,897	–	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(1,971)	(1,971)
Recognition of equity-settled share-based payments *(Note 39)*	–	–	–	–	–	1,334	–	1,334	–	–	1,334
At 30 June 2009	31,685	274,304	587,012	3,794	5,652	667	(277,614)	625,500	–	500	626,000

Notes: 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 jointly-controlled entities and associates.

The statutory reserve fund of the Group represents reserve required by the relevant People's Republic of China (the "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 2009

	NOTES	2009 HK$'000	2008 HK$'000
Operating activities			
(Loss)/profit before taxation		(450,614)	48,643
Adjustments for:			
Equity-settled share-based payments	8	1,334	8,793
Loss on disposal of property, plant and equipment	8	5,484	1,770
Loss on disposal of a listed associate		89,736	–
Loss/(gain) on deemed disposal of a listed associate/subsidiary		54,595	(11,351)
Depreciation of property, plant and equipment	8	53,360	63,424
Charge of prepaid lease payments for land	8	1,846	2,273
Change in fair value of derivative financial instruments		140	(47,830)
Change in fair value of conversion option of convertible notes		–	(7,167)
Write-(back)/down of inventories	8	(2,605)	2,150
Allowance/(reversal of allowance) for doubtful debts		11,175	(598)
Share of results of associates		122,246	(284)
Share of results of a jointly-controlled entity		–	625
Gain on asset swap		(14,322)	–
Discount on acquisition of additional interest in a subsidiary		(1,971)	–
Impairment loss on loan receivable		44,960	–
Impairment loss on property, plant and equipment		62,102	–
Interest income		(5,839)	(16,859)
Finance costs		20,193	56,064
Operating cash (outflow)/inflow before movements in working capital		(8,180)	99,653
Decrease in inventories		99,792	26,407
Decrease/(increase) in debtors, other loans and receivables, deposits and prepayments		205,361	(162,809)
Decrease in bills receivable		29,736	32,329
(Decrease)/increase in creditors, other advances and accrued charges		(71,662)	6,548
Increase/(decrease) in bills payable		19,531	(72,182)
(Increase)/decrease in derivative financial instruments		(7,143)	26,519
Increase in net assets classified as held for sale		–	(9,963)
(Decrease)/increase in amount due to an associate		(162,113)	16,374
Cash generated from/(used in) operations		105,322	(37,124)
Hong Kong profits tax paid		–	(2,131)
Taxation in other jurisdictions paid		(18,028)	(19,259)
Net cash inflow/(outflow) from operating activities		87,294	(58,514)

	NOTES	2009 HK$'000	2008 HK$'000
Investing activities			
Interest received		5,286	16,859
Purchases of property, plant and equipment		(36,704)	(114,706)
Additions of prepaid lease payments for land		–	(4,260)
Proceeds from disposal of property, plant and equipment		2,069	5,115
Net proceeds from disposal of a listed associate	34	23,760	–
Direct cost paid for disposal of subsidiaries	35	(3,506)	–
Net cash inflow in asset swap	35	62,682	–
Reclassification of a listed subsidiary into an associate	34	–	(102,038)
Prepayments for acquisition of property, plant and equipment		–	(17,443)
Repayment in note receivables		–	55,000
Repayment of loans receivable		–	30,324
Payment of deferred consideration		(6,825)	(160)
Net cash generated from/(used in) investing activities		46,762	(131,309)
Financing activities			
Interest paid on borrowings		(19,929)	(49,947)
Interest paid on finance leases		(264)	(645)
Proceeds from open offer of shares		59,989	–
Proceeds from placement of shares		7,669	63,966
Proceeds from issue of shares of a listed subsidiary		–	110,278
Proceeds received from exercise of share options		2,384	5,126
New borrowing raised		270,772	1,638,069
Decrease in pledged deposits and bank balances		16,034	60,031
Repayment of obligations under finance leases		(4,504)	(713)
Repayment of borrowings		(431,284)	(1,776,890)
Repayment of convertible notes		–	(77,600)
Net cash used in financing activities		(99,133)	(28,325)

	NOTES	2009 HK$'000	2008 HK$'000
Net increase/(decrease) in cash and cash equivalents		34,923	(218,148)
Cash and cash equivalents at beginning of the year		80,204	290,795
Effect of foreign exchange rate changes		(16,685)	7,557
Cash and cash equivalents at end of the year		98,442	80,204
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		98,442	85,817
Bank overdrafts		–	(5,613)
		98,442	80,204

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

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, manufacture and trading of copper rods, and manufacture and trading of connectors and terminals. Its associates are principally engaged in the manufacture and trading of copper rods, manufacture and sale of iron ore concentrated powder, life-like plants and production, distribution and licensing of television programmes. During the year, the Group's interests in Hua Yi Copper Holdings Limited ("Hua Yi Copper"), a listed associate, and its subsidiaries (collectively the "Hua Yi Copper Group") was entirely disposed of, further details of which are set out in Note 34. There is also an asset swap arrangement during the year, details of which are set out in Note 35.

The financial statements are presented in Hong Kong dollars, which is the functional currency of the Company, and all values are rounded to the nearest thousand except where otherwise indicated.

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

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which in collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The adoption of HK(IFRIC) – Int 12 "Service concession arrangements", HK(IFRIC) – Int 13 "Customer loyalty programmes", HK(IFRIC) – Int 14 "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction", HK(IFRIC) – Int 9 & HKAS 39 Amendments "Embedded derivatives" and HKAS 39 & HKFRS 7 Amendments "Reclassification of financial assets" has no impact on these financial statements.

At the date of approval of these financial statements, the following standards and interpretations were in issue but not yet effective:

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) – Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellations	(i)
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions	(v)
HKFRS 7 (Amendment)	Improving disclosures about financial instruments	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 39 (Amendment)	Eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 1 (Amendment)	Additional exemptions for first time adopters	(v)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners	(ii)
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	(iii)
HK(IFRIC) – Int 18	Transfers of assets from customers	(iv)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	– HKFRS 5	(ii)
2009 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 39 (80)	(i)
	– HKAS 38, HKFRS 2, HK(IFRIC) – Int 9, HK(IFRIC) – Int 16	(ii)
	– HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5, HKFRS 8	(v)

Effective date:

(i) Annual periods beginning on or after 1 January 2009
(ii) Annual periods beginning on or after 1 July 2009
(iii) Annual periods beginning on or after 1 October 2008
(iv) Transfers of assets from customers received on or after 1 July 2009
(v) Annual periods beginning on or after 1 January 2010

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of preparation of financial statements

These financial statements have been prepared under 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 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 inter-company transactions, balances, income, expenses and unrealised gains on transaction between group enterprises are eliminated in full 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 (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests 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 and business 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 in accordance with the accounting policy for goodwill below.

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.

Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Interests in subsidiaries are included in the Company's balance sheet at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

An associate is an entity over which the Group 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 these 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 impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate, which includes any long-term interests that, in substance, form part of the Group's net investment in the associate, are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the assets transferred, in which case they are recognised immediately in profit or loss.

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.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, and more frequently 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. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit 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 recognised for goodwill is not reversed in a subsequent period.

Where the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, after reassessment, the excess is recognised immediately in profit or loss.

On the 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.

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, discounts and other similar allowances and excludes value-added tax or other 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 from provision of services is recognised when the services have been rendered.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Property, plant and equipment

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

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

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

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.

Depreciation is charged to write off the cost of property, plant and equipment other than properties under construction, 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%

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 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) 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 assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

(i) *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the 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.

(ii) *Deferred tax*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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 generally recognised for all taxable temporary differences to the extent that it is probable that taxable profits will be available against which those 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 and associates, 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

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.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. 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 expressed in Hong Kong dollar using exchange rates prevailing at the balance sheet date. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such exchange differences are recognised in 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 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.

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 twelve months and it is not expected to be realised or settled within twelve 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 as cash flows hedge. 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.

Derecognition

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

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

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

Equity-settled share-based payment transactions

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

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

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

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

Share options 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 with a corresponding increase in 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 made.

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

Impairment of 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.

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.

Income taxes

The Group is subject to income taxes in various jurisdictions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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, 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 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 45, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in Note 45.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in Note 21.

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 29. 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 interest rates and terms of repayment of the Group's borrowings are disclosed in Note 29.

At 30 June 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after taxation and accumulated losses by approximately HK$1,906,000 (2008: decrease/increase the profit and retained profits by HK$1,232,000).

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 2008.

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.

The Group	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*
2009					
Borrowings	190,621	192,948	188,769	836	3,343
Obligations under finance leases	6,460	7,914	5,034	2,880	–
Creditors, other advances and accrued charges, and bills payable	245,949	246,100	246,100	–	–
Deferred consideration payable	6,674	6,790	6,790	–	–
	449,704	453,752	446,693	3,716	3,343
Derivative financial liabilities	520	520	–	–	–
	520	520	–	–	–
2008					
Borrowings	172,515	188,583	165,994	6,963	15,626
Obligations under finance leases	7,176	7,931	3,962	3,615	354
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	17,771	21,147
Derivative financial liabilities	9,171	9,171	9,171	–	–
	9,171	9,171	9,171	–	–

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 23.

At 30 June 2009, it is estimated that a general increase/decrease of 10% in copper future contract price, with all other variables held constant, would decrease/increase the Group's loss after taxation and accumulated losses by approximately HK$290,000 (2008: increase/decrease the profit and retained profits by HK$4,983,000) 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 2008.

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 financial statements approximate their corresponding fair values.

6. TURNOVER

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

7. SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organised into three principal operating divisions – (i) manufacture and trading of cables and wires, (ii) copper rods, and (iii) connectors and terminals.

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

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 the Hua Yi Copper Group, the then listed subsidiary of the Company. As a result, the business segment of manufacture and trading of life-like plants was classified as discontinued operation in the years ended 30 June 2007 and 2008. 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 prior year. On 22 April 2008, Hua Yi Copper became a listed associate of the Company as a result of deemed disposal as further detailed in Note 34.

For the year ended 30 June 2009

	Cables and wires HK$'000	Copper rods HK$'000	Connectors and terminals HK$'000	Other HK$'000	Total HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER							
External sales	485,717	119,721	521,096	10,411	1,136,945	–	1,136,945
Inter-segment sales	17,897	29,684	123	–	47,704	(47,704)	–
Total sales	503,614	149,405	521,219	10,411	1,184,649	(47,704)	1,136,945
Inter-segment sales are charged at cost.							
RESULTS							
Segment results	(112,978)	(55,055)	26,484	(35,942)	(177,491)		(177,491)
Unallocated corporate income					659		659
Unallocated corporate expenses					(3,305)		(3,305)
Finance costs					(20,193)		(20,193)
Share of results of associates	(936)	(121,310)			(122,246)		(122,246)
Loss on deemed disposal of a listed associate		(54,595)			(54,595)		(54,595)
Loss on disposal of a listed associate		(89,736)			(89,736)		(89,736)
Discount on acquisition of additional interest in a subsidiary			1,971		1,971		1,971
Gain on asset swap					14,322		14,322
Loss before taxation					(450,614)		(450,614)
Taxation					(20,391)		(20,391)
Loss for the year					(471,005)		(471,005)

At 30 June 2009

	Cables and wires	Copper rods	Connectors and terminals	Other	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET					
Assets					
Segment assets	403,273	358,009	292,191	37,207	1,090,680
Interests in associates	11,310	–	–	–	11,310
Unallocated corporate assets					8,291
Consolidated total assets					1,110,281
Liabilities					
Segment liabilities	116,231	260,330	95,183	1,710	473,454
Unallocated corporate liabilities					10,827
Consolidated total liabilities					484,281

OTHER INFORMATION

	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	4,924	–	37,824	–	42,748	–	42,748
Depreciation	25,169	3,910	14,238	10,043	53,360	–	53,360
Allowance for doubtful debts	2,215	3,288	5,328	344	11,175	–	11,175
Write-(back)/down of inventories	(10,796)	–	8,191	–	(2,605)	–	(2,605)
Impairment loss on loan receivable	–	44,960	–	–	44,960	–	44,960
Impairment loss on property, plant and equipment	35,909	–	1,536	24,657	62,102	–	62,102

For the year ended 30 June 2008

	Continuing operations					Discontinued operations		
	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Life-like plants	Elimination	Consolidated
	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	–	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	(274,214)	3,493,526
Inter-segment sales are charged at cost.								
RESULTS								
Segment results	21,930	37,351	66,419	(4,659)	121,041	5,736		126,777
Unallocated corporate income					9,403	–		9,403
Unallocated corporate expenses					(49,063)	(587)		(49,650)
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)
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	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET					
Assets					
Segment assets	924,516	–	296,298	86,598	1,307,412
Interests in associates	12,245	310,172	–	–	322,417
Unallocated corporate assets					81,214
Consolidated total assets					1,711,043
Liabilities					
Segment liabilities	478,095	–	102,563	31,196	611,854
Unallocated corporate liabilities					13,084
Consolidated total liabilities					624,938

OTHER INFORMATION

	Cables and wires	Copper rods	Connectors and terminals	Other	Total	Unallocated	Consolidated
	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

Geographical segments

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

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

	Continuing operations		Discontinued operations		Total turnover by geographical market	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mainland China	482,426	2,433,396	–	–	482,426	2,433,396
Americas	496,508	670,266	–	84,554	496,508	754,820
Europe	27,501	53,040	–	1,201	27,501	54,241
Hong Kong	27,935	71,012	–	903	27,935	71,915
Other Asian regions	102,575	179,099	–	55	102,575	179,154
	1,136,945	3,406,813	–	86,713	1,136,945	3,493,526

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	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mainland China	602,591	732,942	5,843	119,466
Hong Kong	257,239	239,374	–	1,721
Americas	162,347	238,230	28,927	14,420
Other Asian regions	68,503	96,866	7,978	1,747
	1,090,680	1,307,412	42,748	137,354

8. (LOSS)/PROFIT BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(Loss)/profit before taxation has been arrived at after charging:						
Auditors' remuneration	1,017	2,782	–	–	1,017	2,782
Depreciation of property, plant and equipment	53,360	63,424	–	–	53,360	63,424
Cost of inventories *(Note)*	1,066,956	3,190,065	–	72,463	1,066,956	3,262,528
Write-(back)/down of inventories, net	(2,605)	2,150	–	–	(2,605)	2,150
Charge of prepaid lease payments for land	1,846	2,273	–	348	1,846	2,621
Operating lease rentals in respect of rented premises	2,780	4,945	–	–	2,780	4,945
Loss on disposal of property, plant and equipment	5,484	1,770	–	4	5,484	1,774
Exchange losses, net	4,433	–	–	–	4,433	–
Wages, salaries and pension attribution including directors' remuneration *(Notes 40 and 9)*	123,012	187,833	–	2,881	123,012	190,714
Share-based payments expense *(Note 39)*	1,334	8,793	–	–	1,334	8,793
and after crediting:						
Exchange gains, net	–	284	–	287	–	571
Interest income on bank deposits	5,130	10,090	–	308	5,130	10,398
Rental income	386	385	–	–	386	385
Sub-contracting income	15,685	5,814	–	–	15,685	5,814
Sales of scrapped inventories	6,736	6,230	–	–	6,736	6,230
Interest income on other loans receivable	709	6,461	–	–	709	6,461

Note: Cost of inventories includes HK$99,394,000 (2008: HK$150,624,000) relating to staff costs, depreciation of property, plant and equipment and charge of prepaid lease payments for land, for which the amounts are also included in the respective total amounts disclosed separately above. Cost of inventories includes write-back of inventories of HK$2,605,000 (2008: write-down of HK$2,150,000).

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		Share-based payment		Retirement benefit scheme contributions		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Chau Lai Him	–	–	3,130	3,205	–	–	10	16	3,140	3,221
Mr. Zhou Jin Hua	–	–	1,367	1,368	–	379	–	–	1,367	1,747
Mr. Liu Jin Rong	–	–	144	142	–	190	–	–	144	332
Mr. Ho Pang Cheng, Vincent	–	–	86	–	–	–	3	–	89	–
Mr. Lam Chi Ming, Francis	–	–	122	–	–	–	3	–	125	–
Mr. Lo Chao Ming	60	105	–	–	–	–	–	–	60	105
Mr. Lo Wai Ming	96	96	–	–	–	–	–	–	96	96
Mr. Chung Kam Kwong	420	194	–	–	–	–	–	–	420	194
Mr. Chow Kin Ming	–	–	–	1,268	–	–	–	9	–	1,277
Mr. Chan Kwan Hung	–	–	294	1,500	–	1,682	4	15	298	3,197
Total	576	395	5,143	7,483	–	2,251	20	40	5,739	10,169

In the prior 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. 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 prior year is included in the above directors' remuneration disclosures. There was no share option granted to any director of the Company during the current year.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: HK$Nil).

The five highest paid individuals of the Group include two (2008: four) executive directors of the Company, details of whose remuneration are included above. The emoluments of the remaining three (2008: one) individuals were as follows:

	2009	2008
	HK$'000	*HK$'000*
Salaries and other benefits	4,007	2,008
Contributions to retirement benefits schemes	425	–
	4,432	2,008

Remuneration of these individuals was within the following bands:

	Number of employees 2009	2008
Nil – HK$1,000,000	1	–
HK$1,000,001 – HK$1,500,000	1	–
HK$1,500,001 – HK$2,000,000	–	–
HK$2,000,001 – HK$2,500,000	1	1

During the prior year, share options were granted to a non-director, highest paid individual in respect of his services to the Group, further details of which are included in the disclosures in Note 39. The fair value of such options, which was recognised in the prior year consolidated income statement, was determined as at the date of grant, and the amount included in the consolidated financial statements for the prior year is included in the above non-director, highest paid individuals' remuneration disclosures. There is no share option granted to a non-director, highest paid individual of the Group during the year.

10. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	19,929	51,222	–	448	19,929	51,670
Interest on finance leases	264	645	–	–	264	645
Imputed interest on convertible notes	–	5,472	–	–	–	5,472
	20,193	57,339	–	448	20,193	57,787
Less: Interest capitalised	–	1,723	–	–	–	1,723
	20,193	55,616	–	448	20,193	56,064

11. TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong profits tax:						
Current year	51	2,240	–	95	51	2,335
Under/(over)-provision in respect of prior years	179	(212)	–	–	179	(212)
Taxation in other jurisdictions:						
Current year	15,454	20,549	–	–	15,454	20,549
Under/(over)-provision in respect of prior years	212	(585)	–	–	212	(585)
	15,896	21,992	–	95	15,896	22,087
Deferred taxation *(Note 31)*	4,594	1,501	–	–	4,594	1,501
Effect of change in tax rate (credit)/charge for the year	(99)	602	–	–	(99)	602
	20,391	24,095	–	95	20,391	24,190

Hong Kong profits tax is calculated at 16.5% (2008: 16.5%) 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 (loss)/profit before taxation per the consolidated income statement as follows:

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
(Loss)/profit before taxation	(450,614)	48,643
Tax at the Mainland China income tax rate of 25% (2008: 25%)	(112,654)	12,161
Tax effect of expenses not deductible for tax purpose	114,817	26,034
Tax effect of income not taxable for tax purpose	(53,647)	(18,955)
Tax effect of tax losses not recognised	39,414	4,768
Utilisation of tax losses previously not recognised	(5,119)	(80)
Under/(over)-provision in respect of prior years	391	(797)
Effect of different tax rates of the Company's subsidiaries operating outside of the PRC and changes in tax rates	4,793	5,568
Tax effect on share of results of associates	32,396	(4,509)
Tax for the year	20,391	24,190

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%. Since 1 January 2008, the standard corporate income tax rate for enterprises in the Mainland China is 25%. Accordingly the applicable corporate income tax rate was 25% for the six months ended 30 June 2008 and the year ended 30 June 2009.

12. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss from ordinary activities attributable to equity holders of the Company for the year ended 30 June 2009 includes a loss of HK$10,227,000 (2008: a loss of HK$8,578,000) which has been dealt with in the financial statements of the Company.

13. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 30 June 2009 (2008: HK$Nil).

14. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the open offer during the year and the share sub-division and share consolidation subsequent to the balance sheet date (Note 44(i)). Basic and diluted earnings per share amounts for the year ended 30 June 2008 is restated to take into effect the share sub-division and share consolidation subsequent to the balance sheet date (Note 44(i)).

The calculation of diluted (loss)/earnings per share amounts is based on the (loss)/profit for the years attributable to equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the years, 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 of all dilutive potential ordinary shares into ordinary shares.

From continuing and discontinued operations

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

	2009	**2008**
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to equity holders of the Company for the purpose of basic (loss)/earnings per share	(470,900)	19,847

	Number of shares	
	2009	**2008**
		(Restated)
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	604,230,789	113,547,539
Effect of dilutive potential ordinary shares:		
Share options	–	2,554,161
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	604,230,789	116,101,700

From continuing operations

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

	2009	**2008**
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to equity holders of the Company for the purpose of basic (loss)/earnings per share from continuing operations	(470,900)	15,241

The convertible notes and share options have an anti-dilutive effect on the basic (loss)/earnings per share of the Group for the years ended 30 June 2008 and 2009, respectively. Accordingly, the effect of the convertible notes and share options was not included in the calculation of diluted (loss)/earnings per share of the Group for the years ended 30 June 2008 and 2009, respectively.

From discontinued operations for the year ended 30 June 2008

For the year ended 30 June 2008, basic earnings per share for discontinued operations was 4.06 HK cents (restated) and diluted earnings per share for discontinued operations was 3.96 HK cents (restated), based on the profit for the year from discontinued operations of HK$4,606,000. The denominators used are the same as those detailed above for basic and diluted loss per share.

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

	Construction in progress HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP							
COST							
At 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 and 1 July 2008	68,215	247,424	34,373	86,439	489,735	24,045	950,231
Currency realignment	42	(281)	(172)	(2,302)	(14,753)	(18)	(17,484)
Additions	13,326	326	495	2,194	26,341	66	42,748
Acquisition of subsidiaries under asset swap *(Note 35(i))*	1,391	55,682	–	923	55,893	1,896	115,785
Reclassification	(1,475)	–	–	–	1,475	–	–
Disposal of subsidiaries under asset swap *(Note 35(ii))*	(63,783)	(63,532)	(6,438)	(5,055)	(98,717)	(1,036)	(238,561)
Disposals	–	–	(3,013)	(13,845)	(4,874)	(6,862)	(28,594)
At 30 June 2009	17,716	239,619	25,245	68,354	455,100	18,091	824,125
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
At 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	–	–
Eliminated on disposals	–	–	(39)	(1,478)	(11,814)	(501)	(13,832)
Reclassification of interest in a subsidiary into an associate *(Note 34)*	–	(26,874)	(1,519)	(3,686)	(72,457)	(3,394)	(107,930)
At 30 June 2008 and 1 July 2008	–	89,621	14,843	59,929	206,647	13,984	385,024
Currency realignment	–	(103)	(136)	(961)	(3,906)	26	(5,080)
Provided for the year	–	12,057	1,828	4,582	32,562	2,331	53,360
Impairment loss	–	17,842	–	791	43,469	–	62,102
Disposal of subsidiaries under asset swap *(Note 35(ii))*	–	(23,996)	(677)	(2,240)	(34,522)	(217)	(61,652)
Eliminated on disposals	–	–	(2,194)	(12,611)	(512)	(5,724)	(21,041)
At 30 June 2009	–	95,421	13,664	49,490	243,738	10,400	412,713
NET CARRYING AMOUNT							
At 30 June 2009	17,716	144,198	11,581	18,864	211,362	7,691	411,412
At 30 June 2008	68,215	157,803	19,530	26,510	283,088	10,061	565,207

At 30 June 2009, the net carrying amount of property, plant and equipment of the Group includes plant and machinery of HK$8,545,000 (2008: HK$7,365,000), motor vehicles of HK$2,015,000 (2008: HK$2,554,000) and equipment, furniture and fixtures of HK$10,000 (2008: HK$16,000) in respect of assets held under finance leases. 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$4,201,000 (2008: HK$1,158,000).

The Group has pledged buildings and plant and machinery with aggregate net carrying amount at 30 June 2009 of HK$136,829,000 (2008: HK$206,324,000) to secure banking facilities granted to the Group (Note 24).

At 30 June 2009, the Group was in the process of obtaining the relevant title documents of certain of its buildings with aggregate carrying amount of HK$9,476,000 (2008: HK$10,248,000).

As at 30 June 2009 and 2008, the prepayment amounts represented prepayments made for acquisition of items of property, plant and equipment, of which most were utilised on the completion of the acquisition subsequent to 30 June 2009 and 2008.

For the year ended 30 June 2009, certain items of property, plant and equipment were under-utilised. As a result, the Group assessed the recoverable amounts of these items. Based on the assessment, the carrying value of these items of plant and machinery and buildings were written down by HK$62,102,000. The recoverable amount of the relevant assets has been determined on the basis of their value in use with reference to the probable discounted cash flows from those items of plant and machinery and buildings.

The recoverable amount of the property, plant and equipment 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, average growth rate of 0% per annum and discount rate of 10%. Other key assumptions relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin.

16. PREPAID LEASE PAYMENTS FOR LAND

		2009	**2008**
	Notes	*HK$'000*	*HK$'000*
Carrying amount:			
At beginning of year		47,644	82,021
Additions		–	4,260
Acquisition of subsidiaries under asset swap	*35(i)*	67,482	–
Disposal of subsidiaries under asset swap	*35(ii)*	(5,248)	–
Charge to the consolidated income statement	*8*	(1,846)	(2,273)
Reclassification of interest in a subsidiary into an associate	*34*	–	(46,875)
Exchange realignments		(45)	10,511
At end of year		107,987	47,644

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

	2009	2008
	HK$'000	*HK$'000*
Leasehold land situated in the PRC held under		
– medium term lease	99,061	38,493
– long term lease	7,290	7,470
Leasehold land situated in Hong Kong held under medium term lease	1,636	1,681
	107,987	47,644

Analysed for reporting purposes as:

	2009	2008
Non-current	105,394	46,455
Current	2,593	1,189
	107,987	47,644

The Group has pledged prepaid lease payments for land with aggregate carrying amount at 30 June 2009 of HK$101,236,000 (2008: HK$26,665,000) to secure banking facilities granted to the Group (Note 24).

At 30 June 2009, the Group was in the process of obtaining the relevant title documents of certain of its land use rights with aggregate carrying amount of HK$52,214,000 (2008: HK$13,479,000).

17. INTERESTS IN SUBSIDIARIES

	The Company	
	2009	2008
	HK$'000	*HK$'000*
Unlisted shares, at cost	8	8
Amounts due from subsidiaries	1,617,679	1,566,711
	1,617,687	1,566,719
Less: impairment loss on investment costs	(8)	(8)
impairment loss on amounts due from subsidiaries	(1,267,001)	(583,001)
	350,678	983,710

The amounts due from subsidiaries are unsecured, interest-free and are not repayable within twelve months after the balance sheet date. The carrying amount of the amounts due from subsidiaries approximates their fair value and in substance represents the Company's interests in the subsidiaries in the form of quasi-equity loans and therefore they are included under the non-current assets of the Company.

Impairment losses on investment cost and amounts due from subsidiaries of HK$8,000 (2008: HK$8,000) and HK$1,267,001,000 (2008: HK$583,001,000) respectively were recognised as at 30 June 2009 because the related recoverable amounts of the investment cost and the amounts due from subsidiaries with reference to the higher of fair value less costs to sell and value in use of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related investment cost and amounts due therefrom are reduced to their recoverable amounts.

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

The following list contains only the particulars of the principal subsidiaries at 30 June 2009 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 Elétricos e Eletrônicos Limitada	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	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$47,400,000	86%	Manufacture and trading of chemical products
Gosberton Assets Limited	British Virgin Islands	US$1	100%	Holding of trademarks
Hua Yi Copper Products Company Limited *(Note 3)*	Hong Kong	HK$5,000,000	100%	Manufacture and trading of copper products

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
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd. *(Note 3)*#	PRC	US$14,925,000	100%	Manufacture and trading of copper 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
Stocko Electronics Asia Pacific Pte Ltd	Singapore	S$100,000	100%	Trading in wire harness and connectors
TEM Electronics (M) Sdn. Bhd.	Malaysia	RM500,000	100%	Manufacture of wire harness and connectors
SIT Electronics Company Limited	Thailand	THB13,000,000	100%	Manufacture of wire harness and connectors
Yellowstone Assets Limited	British Virgin Islands	US$1	100%	Investment holding

Wholly-owned foreign enterprise

* *Equity joint venture*

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 subsidiary or to participate in any distribution on winding up.

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

3. Hua Yi Copper Products Company Limited and Dongguan Hua Yi Brass Products Co., Ltd, were acquired during the year under the asset swap as disclosed in Note 35.

None of the subsidiaries issued any debt securities at the balance sheet date.

18. INTERESTS IN ASSOCIATES, AMOUNT DUE TO AN ASSOCIATE AND INTERESTS IN JOINTLY-CONTROLLED ENTITIES

(A) Interests in associates

	2009 *HK$'000*	2008 *HK$'000*
Share of net assets	11,310	322,417

The following list contains only the particulars of the associate at 30 June 2009 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	Place of establishment	Proportion 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

Note: On 22 April 2008, Hua Yi Copper, the then listed subsidiary of the Company, became an associate of the Group. On 30 April 2009, the Group entered into a sale and purchase agreement with an independent third party for the disposal of its entire equity interests in Hua Yi Copper at a net cash consideration of HK$23,760,000. The disposal was completed on 5 May 2009. Further details are set out in Note 34.

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

	2009 *HK$'000*	2008 *HK$'000*
Total assets	77,940	1,647,639
Total liabilities	(21,389)	(881,979)
Net assets	56,551	765,660
Group's share of net assets of associates	11,310	322,417
Revenue	1,256,493	890,547
Loss for the year	(248,857)	(118)
Group's share of results of associates for the year	(122,246)	284

(B) Amount due to an associate

As at 30 June 2009, the Group had no amount due to an associate. 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, which were unsecured and interest-free. Trade balances had a credit period of 45 days and cash advances had no fixed terms of repayment.

(C) Interests in jointly-controlled entities

The Group's share of results of jointly-controlled entities for the prior year is attributable to the jointly-controlled entities of Hua Yi Copper. On 22 April 2008, Hua Yi Copper, the 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 was derecognised from the consolidated balance sheet of the Group on the same date.

19. GOODWILL

Goodwill of HK$23,389,000 (2008: HK$23,389,000) arising from acquisition of subsidiaries during prior years was 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 2009, 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 with average growth rate of 18% per annum and discount rate of 10%. Other key assumptions relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin.

20. INVENTORIES

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Raw materials	92,588	105,717
Work in progress	14,975	38,252
Finished goods	70,721	122,796
	178,284	266,765

During the year, the Group has 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 in the aggregate amount of HK$8,191,000 were determined to decline below their estimated net realisable value and were recorded as a write-down in the consolidated income statement. On the other hands, certain inventories in the aggregate amount of HK$10,796,000 that were impaired in the prior years were sold in the current year and were recorded as a write-back of inventories in the consolidated income statement, resulting in write-back of inventories by HK$2,605,000 (2008: write-off by HK$2,150,000) (included in "cost of sales") for the year ended 30 June 2009 (Note 8).

21. 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$142,551,000 (2008: HK$280,880,000).

(i) The Group allows an average credit period of 90 days to its trade customers.

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

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within 30 days	126,175	200,159
31 – 60 days	9,370	27,242
61 – 90 days	3,539	29,810
Over 90 days	3,467	23,669
	142,551	280,880

At 30 June 2009, the Group's trade debtors of HK$1,477,000 (2008: HK$25,869,000) (Note 24) were discounted to banks with recourse. The Group continued to recognise the full carrying amount of the debtors and recognised the cash received on the transfer as a secured borrowing which is included in borrowings of the Group.

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

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
At beginning of year	5,426	6,445
Impairment loss recognised	12,060	105
Reversal of allowance for doubtful debts	(885)	(703)
Uncollectible amounts written off	(2,477)	(437)
Disposal of subsidiary	1,215	–
Exchange realignments	(1)	16
At end of year	15,338	5,426

At 30 June 2009, the Group's trade debtors of HK$15,338,000 (2008: HK$5,426,000) 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.

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

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Neither past due nor impaired	139,084	257,211
Past due and not impaired	3,467	23,669
	142,551	280,880

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.

(v) At 30 June 2009, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to HK$3,395,000 (2008: HK$2,581,000) resulting from the net settlements of derivative financial instruments which were in the closed out positions at the balance sheet date. The amount has been fully settled subsequent to the balance sheet date.

(vi) Loan receivable

On 4 February 2009, the Group and the Hua Yi Copper Group entered into an asset swap arrangement as further detailed in Note 35. As a result of the completion of the asset swap arrangement, the Group acquired a loan receivable in the amount of HK$44,407,000 (Note 35(i)) due from a third party. The loan receivable was interest-bearing at 2.5% per annum, secured by the plant and machinery of the third party, and was repayable on 30 June 2009.

As at 30 June 2009, the Group reviewed its loan receivable to assess whether impairment losses exist. In determining whether impairment losses should be recorded in the consolidated income statement, the Group has evaluated its loan receivable for impairment after taking into account the value of the underlying collateral of the borrower, and the latest financial position of the borrower to determine the net present value of expected future cash inflow in respect of such loan receivable. The loan receivable was past due on 30 June 2009 and as of the date of approval of these financial statements. As such the Group recorded full impairment loss on the loan principal and related interest receivables in an aggregate amount of HK$44,960,000 as at 30 June 2009 and for the year then ended.

(vii) Due from related companies

Included in the Group's debtors, other loans and receivables, deposits and prepayments were amounts due from related companies in the aggregate amount of HK$10,894,000 (2008: HK$Nil). The amounts are unsecured, interest-free and have no fixed terms of repayment, which is also the maximum outstanding balance due from the related companies during the year. These related companies are entities within the Hua Yi Copper Group which were changed from associates to related companies of the Group pursuant to the Group's disposal of equity interest in the Hua Yi Copper Group during the year, as a director of these related companies who is also a director of the Company.

22. BILLS RECEIVABLE

As at 30 June 2008 and 2009, all bills receivable aged within 90 days.

23. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

(A) Derivative not qualified for hedging

	The Group			
	2009		2008	
	Assets	Liabilities	Assets	Liabilities
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Copper future contracts	9	–	–	(443)
Foreign exchange forward contracts	45	(520)	–	–
Total	54	(520)	–	(443)

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 2009	As at 30 June 2008
Quantities (in tonnes)	75	750
Average price per tonne	US$4,958	US$8,519
Delivery period	From July 2009 to September 2009	From July 2008 to September 2008
Fair value gain/(loss) of copper future contracts recognised as current assets/(liabilities) (in HK$'000)	9	(443)

Forward foreign exchange contracts

As at 30 June 2009, the forward foreign exchange contracts are settled at specific time intervals and the major terms of the forward foreign exchange contracts are as follows:

Notional amount/ settlement interval	Maturity dates	Contracted Exchange rates	Fair value gain/(loss)	
			HK$'000	*HK$'000*
US$700,000 or US$2,100,000/month	24 May 2010	HK$7.735/US$1	–	(221)
US$700,000 or US$2,100,000/month	24 May 2010	HK$7.7499 to HK$7.7399/US$1	–	(274)
US$2,000,000 or HK$15,500,000/month	28 August 2009	HK$7.75/US$1	–	(25)
US$1,000,000 or HK$7 ,720,000/month	28 December 2009	HK$7.72/US$1	45	–
			45	(520)

The above derivatives are measured at fair values at each balance sheet date and are with financial institutions. The fair values of copper future contracts are determined based on the quoted market prices and the fair values of foreign exchange forward contracts were provided by banks or financial institutions at the balance sheet dates. The loss on change in fair value of derivative financial instruments of HK$140,000 (2008: gain of HK$47,830,000) has been recognised in the consolidated income statement during the year.

(B) Hedge of net investment in foreign operations

	The Group			
	2009		2008	
	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 year ended 30 June 2008, the Group entered into certain forward currency contracts designated as hedges in respect of the Group's investment in the operations of Brazil. No such forward currency contracts was entered into in the current year and remained outstanding as at 30 June 2009.

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

During the prior year, the loss on such effective hedging instrument of HK$13,419,000 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.

24. PLEDGE OF ASSETS

At 30 June 2009, the Group has pledged the following assets to secure general banking facilities granted to the Group (2008: granted to the Group and its associates). The carrying amounts of these assets are analysed as follows:

		The Group	
		2009	**2008**
	Notes	*HK$'000*	*HK$'000*
Property, plant and equipment	*15*	136,829	206,324
Prepaid lease payments for land	*16*	101,236	26,665
Trade debtors	*21*	1,477	25,869
Fixed bank deposits and bank balances		48,136	36,619
		287,678	295,477

25. 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.

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Bank balances and cash and pledged deposits were denominated in the foreign currencies:		
Renminbi ("RMB")	60,403	28,831
HK$	43,682	51,832
US$	27,747	23,194
RM	7,314	3,853
THB	3,163	1,648
EUR	1,954	10,166
BRL	1,566	1,547
SGD	749	1,365
Total	146,578	122,436

	The Company	
	2009	**2008**
	HK$'000	*HK$'000*
Bank balances and cash and pledged deposits were denominated in the foreign currencies:		
HK$	10,247	689
US$	14	30
Total	10,261	719

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

26. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

Included in the Group's creditors, other advances and accrued charges were trade creditors of HK$62,743,000 (2008: HK$108,527,000).

The aging analysis of trade creditors, based on invoice date, is as follows:

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within 30 days	44,262	73,224
31 – 60 days	4,317	24,428
61 – 90 days	2,727	8,152
Over 90 days	11,437	2,723
	62,743	108,527

27. BILLS PAYABLE

At 30 June 2008 and 2009, all bills payable aged within 90 days.

28. OBLIGATIONS UNDER FINANCE LEASES

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:				
Within one year	5,034	3,962	4,077	3,707
In the second to fifth years inclusive	2,880	3,969	2,383	3,469
	7,914	7,931		
Less: Future finance charges	(1,454)	(755)		
Present value of lease obligations	6,460	7,176	6,460	7,176
Less: Amount due within one year			(4,077)	(3,707)
Amount due after one year			2,383	3,469

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 8% (2008: 5%) 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.

29. BORROWINGS

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Borrowings are secured and are analysed as follows:		
Bank loans	163,811	166,006
Trust receipt loans	26,810	896
	190,621	166,902
Bank overdrafts	–	5,613
	190,621	172,515
The carrying amounts of borrowings repayable:		
Within one year	185,846	155,450
More than one year but not exceeding two years	4,775	5,688
More than two years but not exceeding five years	–	11,377
	190,621	172,515
Amount due within one year shown under current liabilities	(185,846)	(155,450)
Amount due over one year shown under non-current liabilities	4,775	17,065

The average effective interest rates of the bank borrowings and bank overdrafts range from 5.01% to 8.96% (2008: 5.25% to 15%) per annum.

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 2009, the Group had available HK$187,967,000 (2008: HK$71,853,000) 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 24.

30. DEFERRED CONSIDERATION PAYABLE

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 initial aggregate carrying value of the consideration was HK$80,847,000. The consideration 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 repayable 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 above transaction was completed on 2 August 2006.

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.

31. DEFERRED TAX

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

				The Group			
	Accelerated tax depreciation	Properties	Tax losses	Allowance for doubtful debts	Write down of inventories	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 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)
Exchange realignment	(73)	–	–	–	298	832	1,057
(Credit)/charge to the income statement for the year *(Note 11)*	(229)	26	794	–	1,084	2,919	4,594
Effect of change in tax rate	(99)	–	–	–	–	–	(99)
Acquisition of subsidiaries under asset swap *(Note 35(i))*	14,514	7,360	–	–	–	–	21,874
At 30 June 2009	19,247	7,386	–	–	–	(352)	26,281

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:

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Deferred tax liabilities	26,281	5,171
Deferred tax assets	–	(6,316)
	26,281	(1,145)

At 30 June 2009, the Group has unused tax losses of HK$152,217,000 (2008: HK$37,549,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Tax losses of HK$73,519,000 (2008: HK$6,527,000) may be carried forward indefinitely and the remaining amount of HK$78,698,000 (2008: HK$31,022,000) would expire in 2012.

The Group had no other significant unprovided deferred tax assets or liabilities at the balance sheet date (2008: HK$Nil).

32. SHARE CAPITAL

	Number of shares		Share capital	
	2009	**2008**	**2009**	**2008**
	'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	603,654	489,154	6,037	4,892
Open offer of new shares *(Note (i))*	2,414,617	–	24,146	–
Placements of new shares *(Note (ii))*	120,000	97,000	1,200	970
Exercise of share options *(Note (iii))*	30,180	17,500	302	175
At end of the year	3,168,451	603,654	31,685	6,037

Notes:

(i) During the year ended 30 June 2009, 2,414,617,448 new ordinary shares of par value HK$0.01 each were issued under an open offer at a subscription price of HK$0.027 each at an aggregate consideration of HK$59,989,000, net of issuing expenses, of which HK$24,146,000 was credited to share capital and the remaining balance of HK$35,843,000 was credited to the share premium account.

(ii) During the year ended 30 June 2009, 120,000,000 (2008: 97,000,000) new ordinary shares of par value HK$0.01 each were issued at subscription price HK$0.066 (2008: HK$0.68) each to the then independent third parties of the Group at an aggregate consideration of HK$7,669,000 (2008: HK$63,966,000), net of issuing expenses, of which HK$1,200,000 (2008: HK$970,000) was credited to share capital and the remaining balance of HK$6,469,000 (2008: HK$62,996,000) was credited to the share premium account.

(iii) During the year ended 30 June 2009, 30,180,000 (2008: 17,500,000) new ordinary shares of par value HK$0.01 each were issued at subscription prices of HK$0.079 (2008: ranging from HK$0.24 to HK$0.32) each on exercise of 30,180,000 (2008: 17,500,000) (Note 39) share options at an aggregate consideration of HK$2,384,000 (2008: HK$5,126,000), net of issuing expenses, of which HK$302,000 (2008: HK$175,000) was credited to share capital and the remaining balance of HK$2,082,000 (2008: HK$4,951,000) was credited to the share premium account. In addition, an amount attributable to the related share options of HK$667,000 (2008: HK$496,000) 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.

33. RESERVES

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Share option reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
The Company					
At 1 July 2007	160,800	738,559	1,760	(47,953)	853,166
Placement of new shares *(Note 32)*	62,996	–	–	–	62,996
Issue of shares upon exercise of share options *(Note 32)*	4,951	–	–	–	4,951
Transfer upon exercise of share options *(Note 32)*	496	–	(496)	–	–
Forfeiture of share options	–	–	(1,034)	1,034	–
Recognition of equity-settled share-based payments *(Note 39)*	–	–	4,814	–	4,814
Loss for the year	–	–	–	(8,578)	(8,578)
At 30 June 2008 and 1 July 2008	229,243	738,559	5,044	(55,497)	917,349
Open offer of new shares *(Note 32)*	35,843	–	–	–	35,843
Placement of new shares *(Note 32)*	6,469	–	–	–	6,469
Issue of shares upon exercise of share options *(Note 32)*	2,082	–	–	–	2,082
Transfer upon exercise of share options *(Note 32)*	667	–	(667)	–	–
Cancellation and lapse of share options	–	–	(5,044)	5,044	–
Recognition of equity-settled share-based payments *(Note 39)*	–	–	1,334	–	1,334
Loss for the year	–	–	–	(694,227)	(694,227)
At 30 June 2009	274,304	738,559	667	(744,680)	268,850

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

34. DEEMED DISPOSAL OF INTEREST IN A LISTED ASSOCIATE/SUBSIDIARY, DISPOSAL OF INTEREST IN A LISTED ASSOCIATE, DISCOUNT ON ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

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 Copper 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 the Hua Yi Copper Group as at 22 April 2008 were as follows:

	Notes	HK$'000
Net assets disposed of:		
Property, plant and equipment	15	181,854
Prepaid lease payments for land	16	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)

Year ended 30 June 2009

On 22 January 2009, Hua Yi Copper, the then listed associate of the Group, has placed 104,000,000 new shares to public shareholders and the Company's interest in Hua Yi Copper has been reduced from 45.42% to 28.62%, resulting a loss on deemed disposal of partial interest of the listed associate of HK$54,595,000.

On 30 April 2009, the Group entered into a sale and purchase agreement with an independent third party for the disposal of its entire 28.62% equity interest in Hua Yi Copper at a cash consideration of HK$23,760,000, net of direct costs incurred on disposal. The disposal was completed on 5 May 2009. A net loss on disposal of interest in the listed associate amounting to HK$89,736,000, including recognition of exchange reserve of HK$20,770,000 upon the disposal, was recognised in the profit or loss for the year.

During the current year, the Group acquired from the minority shareholder an additional 9.5% equity interest in a 90.5%-owned subsidiary at nil consideration, which then became 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$1,971,000 is recognised as discount on acquisition.

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES UNDER AN ASSET SWAP ARRANGEMENT

On 5 December 2008, the Company, Chau's Industrial Investments Limited ("Chau's Industrial"), a wholly-owned subsidiary of the Company, Chau's Electrical Company Limited ("Chau's Electrical"), an indirect wholly-owned subsidiary of the Company, Hua Yi Copper, a then listed associate of the Group, and Wah Yeung Capital Resources Limited ("Wah Yeung"), an indirectly wholly-owned subsidiary of Hua Yi Copper, entered into three sale and purchase agreements and one set-off deed (collectively the "Asset Swap"), pursuant to which the Group agreed to acquire from Hua Yi Copper i) 100% equity interest in Modern China Enterprises Limited ("Modern China") and its subsidiaries (the "Modern China Group"); ii) 100% equity interest in Hua Yi Copper Products Company Limited ("HY Products") and its subsidiary (the "HY Products Group"); and iii) the unsecured and interest-free shareholder's loan owed by HY Products Group to Wah Yeung (the "HY Products Shareholder Loan") in the consideration for the Group's disposal of i) 100% equity interest in Solartech Enterprises Limited ("Solartech Enterprises") and its subsidiaries (the "Solartech Enterprises Group") and the unsecured and interest-free shareholder's loan owed by the Solartech Enterprises Group to Chau's Industrial (the "Solartech Enterprises Shareholder Loan"); and ii) 100% equity interest in Fund Resources Limited ("Fund Resources") and its subsidiary (the "Fund Resources Group"), and the unsecured and interest-free shareholder's loan owed by the Fund Resources Group to Chau's Electrical (the "Fund Resources Shareholder Loan"). An additional consideration of HK$20,000,000 is also payable by the Hua Yi Copper Group to the Group under the Asset Swap. The Asset Swap was completed on 4 February 2009. Further details are set out in the Company's circular dated 31 December 2008 and announcement dated 30 December 2008.

(i) Acquisition of subsidiaries under the Asset Swap

Accordingly, the Modern China Group and the HY Products Group became subsidiaries of the Group and their results were consolidated to the Group's consolidated financial statements since the date of acquisition in the current year.

Details of net assets of subsidiaries acquired in the Asset Swap are as follows:

	Modern China Group			HY Products Group			
	Acquirees' carrying amount before the Asset Swap	**Fair value adjustments**	**Sub-total**	**Acquirees' carrying amount before the Asset Swap**	**Fair value adjustments**	**Sub-total**	**Fair value as at the completion date**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment *(Note 15)*	69,343	22,068	91,411	24,374	–	24,374	115,785
Prepaid lease payments for land *(Note 16)*	60,109	7,373	67,482	–	–	–	67,482
Loan receivable *(Note 21 (vi))*	44,407	–	44,407	–	–	–	44,407
Inventories	–	–	–	24,780	–	24,780	24,780
Debtors, deposits and prepayments	131,580	–	131,580	20,644	–	20,644	152,224
Bills receivable	20,949	–	20,949	–	–	–	20,949
Pledged deposits	13,636	–	13,636	13,915	–	13,915	27,551
Bank balances and cash	55,127	–	55,127	11,412	–	11,412	66,539
Creditors, other advances and accrued charges	(5,391)	–	(5,391)	(35,819)	–	(35,819)	(41,210)
Amount due to an associate	(18,853)	–	(18,853)	–	–	–	(18,853)
Bills payable	(75,000)	–	(75,000)	–	–	–	(75,000)
The HY Products Shareholder Loan	(107,570)	–	(107,570)	–	–	–	(107,570)
Taxation	–	–	–	(432)	–	(432)	(432)
Borrowings	(111,858)	–	(111,858)	(140,535)	–	(140,535)	(252,393)
Deferred tax liabilities *(Note 31)*	(10,620)	(7,360)	(17,980)	(3,894)	–	(3,894)	(21,874)
Net assets of the Modern China Group and the HY Products Group acquired							2,385
Assignment of the HY Products Shareholder Loan							107,570
							109,955
Satisfied by:							
Part of consideration on disposal of subsidiaries under the Asset Swap *(Note 35(ii))*							109,955

Since the acquisition from the Asset Swap, the Modern China Group and the HY Products Group contributed an aggregate amount of HK$119,721,000 to the Group's turnover and loss of HK$16,052,000 to the consolidated loss for the year ended 30 June 2009.

Had the acquisition taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been HK$1,945,938,000 and HK$715,849,000, respectively.

(ii) Disposal of subsidiaries under the Asset Swap

The assets and liabilities of the Solartech Enterprises Group and the Fund Resources Group disposed of in the Asset Swap are as follows:

	HK$'000
Property, plant and equipment *(Note 15)*	176,909
Prepaid lease payments for land *(Note 16)*	5,248
Prepayment for acquisition of property, plant and equipment	14,000
Inventories	16,303
Debtors, deposits and prepayments	34,929
Bills receivable	2,525
Bank balance and cash	3,857
Creditors, other advances and accrued charges	(26,149)
Amounts due to associates	(38,794)
The Solartech Enterprises Shareholder Loan and the Fund Resources Shareholder Loan	(167,064)
Taxation	(354)
Borrowings	(65,000)
Net deficiency in assets of the Solartech Enterprises Group and the Fund Resources Group	(43,590)
Assignment of the Solartech Enterprises Shareholder Loan and the Fund Resources Shareholder Loan	167,064
Exchange reserve realised upon disposal	(11,347)
Direct costs incurred for the disposal	3,506
Gain on the Asset Swap	14,322
	129,955
Consideration satisfied by:	
Net assets of the Modern China Group and the HY Products Group and the HY Products Shareholder Loan acquired *(Note 35(i))*	109,955
Amount due from the Hua Yi Copper Group as further consideration	20,000
	129,955
Net cash inflow/(outflow) in Asset Swap:	
Bank balances and cash acquired	66,539
Bank balances and cash disposed of	(3,857)
	62,682

36. CAPITAL COMMITMENTS

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
Leasehold improvements	–	31
Plant and machinery	2,086	10,000
Equipment, furniture and fixtures	–	2,532
	2,086	12,563

37. LEASE COMMITMENTS

The Group as lessee

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

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within one year	3,407	104
In the second to fifth years inclusive	2,378	53
	5,785	157

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

38. MAJOR NON-CASH TRANSACTIONS

During the year, prepayments for acquisition of property, plant and equipment with carrying amount of HK$1,843,000 (2008: HK$22,648,000) has been reclassified to property, plant and equipment which have been put into operation in the current year.

As disclosed in Notes 21 and 34, the Hua Yi Copper Group changed from associates to related parties of the Group pursuant to the Group's disposal of its entire interests thereon on 5 May 2009, and accordingly the Group amount due from the Hua Yi Copper Group's in the amount of HK$10,894,000 as at 5 May 2009 was reclassified from amounts due from associates into amounts due from related companies on the same date.

As disclosed in Note 15, additions to plant and machinery of the Group financed by new finance leases were HK$4,201,000 during the year.

39. SHARE OPTION SCHEME

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 others providing similar services, 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 and others providing similar services, 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 payments of HK$1,334,000 (2008: HK$8,793,000) (Note 8) 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 2009

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Number of share options: Outstanding at 1.7.2008 '000	Granted during the year '000	Exercised during the year '000 (Note 32(iii))	Lapsed/ cancelled during the year '000	Outstanding at 30.6.2009 '000	Exercisable period
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)	–	N/A
– 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)	–	N/A
– 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)	–	N/A
Employees	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	15,600	–	–	(15,600)	–	N/A
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	6,670	–	–	(6,670)	–	N/A
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)	–	N/A
Employee	8 June 2009	9 June 2009 to 8 July 2011	Immediate on the grant date	0.079	–	60,360	(30,180)	–	30,180	9 June 2009 to 8 June 2011
					49,270	60,360	(30,180)	(49,270)	30,180	

For the year ended 30 June 2008

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Number of share options: Outstanding at 1.7.2007 '000	Granted during the year '000	Exercised during the year '000 (Note 32(iii))	Lapsed during the year '000	Outstanding at 30.6.2008 '000	Exercisable period
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 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	–	15,600	–	–	15,600	1 February 2008 to 31 January 2011 1 February 2009 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)	–	N/A
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	

The fair value of share options granted to employees of the Group and other parties providing similar services during the year, 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	**8 June 2009**
Share price on the date of grant	HK$0.069
Exercise price	HK$0.079
Expected volatility	96.61%
Average expected life	1 year
Average risk-free rate	0.19%
Expected dividend yield	Nil

The volatility was generated from Bloomberg based on the Company's 360 days (2008: 400 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$0.067 (2008: HK$0.45).

At the balance sheet date and the date of the approval of these financial statements, the Company had 30,180,000 share options outstanding under the share option scheme, which represented approximately 0.95% 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 30,180,000 additional ordinary shares of the Company and additional share capital of HK$301,800 and share premium account of HK$2,082,000 (before issue expenses), respectively.

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

40. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "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 Asian 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$5,063,000 (2008: HK$6,463,000).

41. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group entered into the following transactions with an associate:

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Rental income of office premises	251	45
Rental expenses of staff quarters	537	217
Management fee expenses	646	353

During the year, the Group purchased goods from and sold goods to the associates and related companies (2008: associates) in the amount of HK$149,930,000 (2008: HK$85,216,000) and HK$1,498,000 (2008: HK$ Nil), respectively.

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

As at 30 June 2008, the Group has pledged certain deposits and bank balances and property, plant and equipment in the amount of HK$18,000,000 and corporate guarantees were given to secure banking facilities granted to an associate (Note 45) which were released pursuant to the Asset Swap.

Compensation of key management of the Group

	2009	**2008**
	HK$'000	*HK$'000*
Salaries and other benefits	9,726	9,886
Contributions to retirement benefits schemes	445	40
Share-based payment	–	2,251
	10,171	12,177

42. 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 29 and obligations under finance leases in Note 28, bank balances and cash in Note 25 and equity attributable to equity holders of the Company, comprising share capital, reserves and retained profits/accumulated losses 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:

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Debts	197,081	179,691
Cash and cash equivalents	(146,578)	(122,436)
Net debts	50,503	57,255
Equity	626,000	1,086,105
Net debt to equity ratio	8%	5%

43. 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 2009 and 2008 may be categorised as follows:

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including bank balances and cash) at amortised cost	372,352	458,764
Derivative financial assets at fair value	54	1,702
Financial liabilities		
Financial liabilities measured at amortised cost	449,704	603,263
Derivative financial liabilities at fair value	520	9,171

44. POST BALANCE SHEET DATE EVENTS

(i) On 3 June 2009, the Company put forward a proposal to the shareholders to effect a capital reorganisation which involves (i) share consolidation: a consolidation of every 5 shares of HK$0.01 each into 1 consolidated share of HK$0.05 each; (ii) capital reduction: the par value of each consolidated shares will be reduced from HK$0.05 to HK$0.01 by the cancellation of HK$0.04 on each consolidated share; (iii) sub-division: each of the authorised but unissued consolidated shares into 5 ordinary shares of HK$0.01 each of the Company immediately after the capital reorganisation becoming effective (collectively the "Capital Reorganisation").

Following the implementation of the Capital Reorganisation set out above, the Company's authorized share capital will remain at HK$300,000,000 represented by 30,000,000,000 ordinary shares, and its issued share capital will be HK$6,336,904 represented by 633,690,362 shares of par value HK$0.01 each. The aggregate amount of HK$25,348,000 arising from the above Capital Reorganisation shall be transferred to the Company's contributed surplus account. Further details of which are set out in the announcement of the Company dated 3 June 2009.

All conditions of the Capital Reorganisation have been met and the Capital Reorganisation became effective on 10 July 2009.

(ii) On 10 July 2009, Venture Success Holdings Limited ("Venture Success"), the shareholder of the Company, the Company and the Kingston Securities Limited ("Kingston Securities") entered into a top-up placing and subscription agreement, whereby Venture Success appointed Kingston Securities as placing agent for the purpose to procure on a fully underwritten basis to the top-up placing shares. Pursuant to the top-up placing and subscription agreement, Venture Success has agreed to subscribe 126,730,000 new shares at HK$0.22 per share at an aggregate consideration before issuing expenses of HK$27,880,000, of which HK$1,267,000 was credited to share capital and the remaining balance of HK$26,613,000 was credited to the share premium account. The placement was completed on 21 July 2009. Further details are set out in the Company's announcement dated 10 July 2009.

(iii) On 28 August 2009, the Company and Kingston Securities entered into a placing agreement pursuant to which the Company has conditionally agreed to place through Kingston Securities on a fully underwritten basis to no fewer than six independent third parties, an aggregate of 152,000,000 shares at HK$0.14 per share at an aggregate consideration before issuing expenses of HK$21,280,000, of which HK$1,520,000 was credited to share capital and the remaining balance of HK$19,760,000 was credited to the share premium account. The placement was completed on 11 September 2009. Further details are set out in the Company's announcement date 28 August 2009.

45. CONTINGENT LIABILITIES

As at 30 June 2008, corporate guarantees were given by the Group to secure banking facilities granted to an associate. The banking liabilities granted to the associate subject to guarantees given to the banks were utilised to the extent of approximately HK$185,529,000 which were released pursuant to the Asset Swap.

46. COMPARATIVE AMOUNTS

(a) Reclassification of a listed subsidiary into an associate of HK$102,038,000 in financing activities in the 2008 consolidated cash flow statement has been reclassified to investing activities to conform with current year's classification.

(b) Decrease in pledged deposits and bank balances of HK$60,031,000 in investing activities in the 2008 consolidated cash flow statement has been reclassified to financing activities to confirm with current year's classification.

(c) Interests in associates of HK$322,417,000 included in "Other" in the balance sheet of segmental information in the 2008 financial statements has been reclassified to "Cables and Wires" and "Copper Rods" in the amounts of HK$12,245,000 and HK$310,172,000 respectively to conform with current year's classification.

AUDITED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

Set out below are the audited consolidated interim results of the Group as extracted from page 13 to 70 of the interim report of the Company for the six months ended 31 December 2009.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2009

	Notes	Continuing operations For the six months ended 31 December 2009 HK$'000	Continuing operations 2008 HK$'000 (Unaudited)	Discontinued operations For the six months ended 31 December 2009 HK$'000	Discontinued operations 2008 HK$'000 (Unaudited)	Total For the six months ended 31 December 2009 HK$'000	Total 2008 HK$'000 (Unaudited)
Turnover	6	357,668	335,277	469,391	296,365	827,059	631,642
Cost of sales		(329,745)	(357,250)	(375,593)	(245,072)	(705,338)	(602,322)
Gross profit/(loss)		27,923	(21,973)	93,798	51,293	121,721	29,320
Interest income		349	377	3	1,045	352	1,422
Other income		747	2,973	3,134	1,513	3,881	4,486
General and administrative expenses		(40,186)	(51,779)	(51,136)	(31,766)	(91,322)	(83,545)
Selling and distribution expenses		(5,688)	(7,202)	(4,755)	(7,667)	(10,443)	(14,869)
Reversal of allowance/(impairment loss recognised) for doubtful debts	21	(1,169)	–	889	–	(280)	–
Change in fair value of derivative financial instruments	23	5,059	(1,228)	–	–	5,059	(1,228)
Share of results of associates	18	(1,881)	(139,428)	–	–	(1,881)	(139,428)
Impairment loss arising from adjustment to fair value less costs to sell	32	–	–	(230,418)	–	(230,418)	–
Finance costs	10	(6,950)	(6,804)	(571)	(809)	(7,521)	(7,613)
Loss before taxation	8	(21,796)	(225,064)	(189,056)	13,609	(210,852)	(211,455)
Taxation	11	1,082	(1,076)	(23,171)	(4,541)	(22,089)	(5,617)
(Loss)/profit for the period		(20,714)	(226,140)	(212,227)	9,068	(232,941)	(217,072)
Other comprehensive income:							
Exchange differences on translating foreign operations		(3,312)	17,037	17,443	(54,960)	14,131	(37,923)
Other comprehensive income for the period		(3,312)	17,037	17,443	(54,960)	14,131	(37,923)
Total comprehensive income for the period		(24,026)	(209,103)	(194,784)	(45,892)	(218,810)	(254,995)
(Loss)/profit for the period attributable to:							
Owners of the Company	12	(20,714)	(226,140)	(212,227)	9,133	(232,941)	(217,007)
Non-controlling interests		–	–	–	(65)	–	(65)
		(20,714)	(226,140)	(212,227)	9,068	(232,941)	(217,072)
Total comprehensive income attributable to:							
Owners of the Company		(24,026)	(209,103)	(194,784)	(45,700)	(218,810)	(254,803)
Non-controlling interests		–	–	–	(192)	–	(192)
		(24,026)	(209,103)	(194,784)	(45,892)	(218,810)	(254,995)
							Restated
Loss per share:	14						
from continuing and discontinued operations – Basic and diluted (HK cents)						(25.09)	(179.74)
from continuing operations – Basic and diluted (HK cents)						(2.23)	(187.31)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	31 December 2009 HK$'000	30 June 2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	310,229	411,412
Prepayment for acquisition of property, plant and equipment	15	1,600	1,600
Prepaid lease payments for land	16	96,794	105,394
Interests in associates	18	9,429	11,310
Goodwill	19	–	23,389
Total non-current assets		418,052	553,105
Current assets			
Inventories	20	115,411	178,284
Debtors, other loans and receivables, deposits and prepayments	21	133,118	212,602
Bills receivable	22	18,117	13,172
Prepaid lease payments for land	16	2,602	2,593
Derivative financial assets	23	788	54
Tax recoverable		465	3,893
Pledged deposits and bank balances	24, 25	45,104	48,136
Bank balances and cash	25	130,703	98,442
		446,308	557,176
Assets classified as held for sale	32	162,931	–
Total current assets		609,239	557,176
Current liabilities			
Creditors, other advances and accrued charges	26	53,782	138,805
Bills payable	27	84,100	107,144
Taxation		327	7,776
Obligations under finance leases	28	860	4,077
Borrowings	29	214,314	185,846
Derivative financial liabilities	23	–	520
Deferred consideration payable	30	6,750	–
		360,133	444,168
Liabilities associated with assets classified as held for sale	32	134,931	–
Total current liabilities		495,064	444,168
Net current assets		114,175	113,008
Total assets less current liabilities		532,227	666,113

	Notes	31 December 2009 HK$'000	30 June 2009 HK$'000
Non-current liabilities			
Obligations under finance leases	28	–	2,383
Borrowings	29	–	4,775
Deferred consideration payable	30	–	6,674
Deferred tax liabilities	31	25,030	26,281
Total non-current liabilities		25,030	40,113
Total Net assets		507,197	626,000
EQUITY			
Capital and reserves			
Share capital	33	13,124	31,685
Reserves		479,736	593,815
Reserves of disposal group classified as held for sale	32	13,837	–
Equity attributable to owners of the Company		506,697	625,500
Non-controlling interests		500	500
Total equity		507,197	626,000

STATEMENT OF FINANCIAL POSITION
At 31 December 2009

	Notes	31 December 2009 HK$'000	30 June 2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	17	360,530	350,678
Current assets			
Deposits and prepayments		206	345
Bank balances and cash	25	37,632	10,261
Total current assets		37,838	10,606
Current liabilities			
Other advances and accrued charges		132	192
Amounts due to subsidiaries	17	60,557	60,557
Total current liabilities		60,689	60,749
Net current liabilities		(22,851)	(50,143)
Net assets		337,679	300,535
EQUITY			
Capital and reserves			
Share capital	33	13,124	31,685
Reserves	34	324,555	268,850
Total equity		337,679	300,535

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2009

	Share capital	Share premium	Contributed surplus	Exchange reserve	Statutory reserve fund	Share option reserve	(Accumulated losses)/ retained profits	Discontinued operations	Total	Share options reserve of a listed associate	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 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
Total comprehensive income for the period	–	–	–	(37,796)	–	–	(217,007)	–	(254,803)	–	(192)	(254,995)
Cancellation and lapse of share options	–	–	–	–	–	(5,044)	9,839	–	4,795	(4,795)	–	–
At 31 December 2008 (unaudited)	6,037	229,243	587,012	24,376	11,549	–	(29,618)	–	828,599	–	2,511	831,110
Total comprehensive income for the period	–	–	–	11,535	–	–	(253,893)	–	(242,358)	–	(40)	(242,398)
Open offer of new shares *(Note 33(iii))*	24,146	35,843	–	–	–	–	–	–	59,989	–	–	59,989
Placement of new shares *(Note 33(ii))*	1,200	6,469	–	–	–	–	–	–	7,669	–	–	7,669
Issue of shares upon exercise of share options *(Note 33(iv))*	302	2,082	–	–	–	–	–	–	2,384	–	–	2,384
Transfer upon exercise of share options *(Note 33(iv))*	–	667	–	–	–	(667)	–	–	–	–	–	–
Release upon disposal of interests in a listed associate and asset swap *(Notes 35 & 36)*	–	–	–	(32,117)	–	–	–	–	(32,117)	–	–	(32,117)
Disposal of a listed associate	–	–	–	–	(5,897)	–	5,897	–	–	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(1,971)	(1,971)
Recognition of equity-settled share-based payments	–	–	–	–	–	1,334	–	–	1,334	–	–	1,334
At 30 June 2009	31,685	274,304	587,012	3,794	5,652	667	(277,614)	–	625,500	–	500	626,000
At 1 July 2009	31,685	274,304	587,012	3,794	5,652	667	(277,614)	–	625,500	–	500	626,000
Total comprehensive income for the period	–	–	–	14,131	–	–	(232,941)	–	(218,810)	–	–	(218,810)
Capital reorganisation *(Note 33(i))*	(25,348)	–	25,348	–	–	–	–	–	–	–	–	–
Placements of new shares *(Note 33(ii))*	6,787	93,220	–	–	–	–	–	–	100,007	–	–	100,007
Discontinued operations *(Note 32)*	–	–	–	(13,837)	–	–	–	13,837	–	–	–	–
At 31 December 2009	13,124	367,524	612,360	4,088	5,652	667	(510,555)	13,837	506,697	–	500	507,197

Notes:

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.

The statutory reserve fund of the Group represents reserve required by the relevant People's Republic of China (the "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 STATEMENT OF CASH FLOWS

For the six months ended 31 December 2009

	Notes	For the six months ended 31 December 2009 HK$'000	2008 HK$'000 (Unaudited)
Operating activities			
Loss before taxation (continuing and discontinued operations)		(210,852)	(211,455)
Adjustments for:			
Loss on disposal of property, plant and equipment	*8*	4,518	2,480
Depreciation of property, plant and equipment	*8*	26,835	25,876
Charge of prepaid lease payments for land	*8*	1,391	590
Change in fair value of derivative financial instruments		(5,059)	1,228
Write-down/(write-back) of inventories	*8*	15,304	(11,541)
Impairment loss recognised for doubtful debts, net		280	–
Share of results of associates		1,881	139,428
Impairment loss arising from adjustment to fair value less costs to sell		230,418	–
Interest income	*8*	(352)	(1,422)
Finance costs	*10*	7,521	7,613
Operating profit/(loss) before working capital changes		71,885	(47,203)
(Increase)/decrease in inventories		(40,314)	83,325
(Increase)/decrease in debtors, other loans and receivables, deposits and prepayments		(78,138)	95,499
Increase in bills receivable		(4,945)	(6,754)
Increase/(decrease) in creditors, other advances and accrued charges		39,374	(39,086)
(Decrease)/increase in bills payable		(23,044)	2,402
Decrease/(increase) in derivative financial instruments		3,805	(8,697)
Decrease in amount due to an associate		–	(52,943)
Cash (used in)/generated from operations		(31,377)	26,543
Taxation paid		(23,268)	(5,339)
Net cash (used in)/generated from operating activities		(54,645)	21,204

	Notes	For the six months ended 31 December 2009 HK$'000	2008 HK$'000 (Unaudited)
Investing activities			
Interest received		352	1,422
Purchases of property, plant and equipment		(14,913)	(20,025)
Proceeds from disposal of property, plant and equipment		–	4,163
Prepayments made for acquisition of property, plant and equipment		–	(8,995)
Payment of deferred consideration		–	(6,825)
Net cash used in investing activities		(14,561)	(30,260)
Financing activities			
Interest paid on borrowings		(7,036)	(6,642)
Interest paid on finance leases		(409)	(152)
Proceeds from placements of shares		100,007	–
New borrowings raised		118,092	109,279
Decrease/(increase) in pledged deposits and bank balances		3,032	(259)
Repayment of obligations under finance leases		(1,831)	(3,761)
Repayment of borrowings		(94,399)	(121,142)
Net cash generated from/(used in) financing activities		117,456	(22,677)
Net increase/(decrease) in cash and cash equivalents		48,250	(31,733)
Cash and cash equivalents at beginning of the period		98,442	85,817
Effect of foreign exchange rate changes		5,919	(5,538)
Cash and cash equivalents at end of the period		152,611	48,546
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		130,703	50,799
Bank overdrafts		–	(2,253)
		130,703	48,546
Bank balances and cash attributable to assets classified as held for sale	*32*	21,908	–
		152,611	48,546

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 31 December 2009

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 interim report.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of cables and wires, manufacture and trading of copper rods, and manufacture and trading of connectors and terminals. Its associates are principally engaged in the manufacture and trading of optical fibre cable and related products

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments

The adoption of the above new/revised HKFRSs had no material effect on the financial statements of the Group for both current and prior reporting periods, except for certain presentational change as a result of adopting HKAS 1 (Revised) and other changes as set out below. All relevant changes in accounting policies and disclosures have been made in accordance with the provisions of the respective standards. The statements of financial position, previously known as balance sheets, at the beginning of the year ended 30 June 2009 have not been presented as there were no changes to the originally published statements.

HKFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after 1 July 2009. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

HKAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions are recognised within equity and no longer give rise to goodwill, nor gain from bargain purchase. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes by HKFRS 3 (Revised) and HKAS 27 (Amended) affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

HKFRS 8 supersedes HKAS 14 "Segment Reporting", and requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-makers in order to allocate resources to the segment and to assess its performance. As the business segments reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to chief operating decision-makers as required by HKFRS 8, there are no changes to the operating segments and the results of operating segments on the adoption of HKFRS 8.

The amendments to HKFRS 7 expand the disclosures relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities. A three-level fair value hierarchy has been introduced to categorise the fair value measurements according to the degree they are based on observable market data. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

(b) Potential impact arising on HKFRSs not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group:

		Effective date
HKFRSs (Amendments)	Improvements to HKFRSs 2009	*(i)*
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions	*(i)*
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	*(ii)*
HKAS 24 (Revised)	Related Party Disclosures	*(iii)*
HKFRS 9	Financial Instruments	*(iv)*

Effective date:

(i) Annual periods beginning on or after 1 January 2010
(ii) Annual periods beginning on or after 1 July 2010
(iii) Annual periods beginning on or after 1 January 2011
(iv) Annual periods beginning on or after 1 January 2013

The amendment to HKAS 17 made under the "Improvements to HKFRSs 2009", mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgement to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group will reassess the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the lease and recognise a lease newly classified as a finance lease retrospectively if the criteria of a finance lease is met.

The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Basis of preparation of financial statements

These financial statements have been prepared under 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 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 period are included in the profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions, balances, income, expenses and unrealised gains on transaction between group enterprises are eliminated in full 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.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Business combinations

Acquisition of subsidiaries and business is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets, except for non-current assets (or disposal groups) that are classified as held for sale, which are recognised and measured at fair value less costs to sell. Acquisition costs incurred are expensed.

Goodwill arising on acquisition is recognised in accordance with the accounting policy for goodwill below.

Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Interests in subsidiaries are included in the Company's statement of financial position at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

An associate is an entity over which the Group 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 these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate, which includes any long-term interests that, in substance, form part of the Group's net investment in the associate, are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the assets transferred, in which case they are recognised immediately in profit or loss.

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 disposed group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposed 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 the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, and more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit 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 in the profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, after reassessment, the excess is recognised immediately in profit or loss.

On the 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 statement of cash flows.

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, discounts and other similar allowances and excludes value-added tax or other 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 from provision of services is recognised when the services have been rendered.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Property, plant and equipment

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

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

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

Properties in the course of construction for production, or administrative purposes, 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.

Depreciation is charged to write off the cost of property, plant and equipment other than properties under construction, 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%

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 profit or loss in the period 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 the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have reduced. 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 or loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately 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 assigned to inventories by the method most appropriate to the particular class of inventories, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Income taxes

Income tax expenses represent the sum of the tax currently payable and deferred tax.

(i) *Current tax*

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods 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 at the end of reporting period.

(ii) *Deferred tax*

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

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all taxable temporary differences to the extent that it is probable that taxable profits will be available against which those 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 the end of each reporting period 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 and associates, 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by at the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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 statement of financial position 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 recognised in profit or loss 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.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. 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 period except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollar using exchange rates prevailing at the end of reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in exchange reserve within equity. Such exchange differences are recognised in 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 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. Subsequent to initial recognition, loans and receivables (including debtors, other loans and receivables, bills receivable and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

The Group assesses at the end of each reporting period whether there is any objective evidence a financial asset or a group of financial assets is impaired. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and has an impact on the estimated future cash flows of the financial assets. Evidence of impairment may include indications that a significant financial difficulty of the debtor; a breach of contract; granting concession to debtor with financial difficulty; or it become probable that the debtor will enter bankruptcy or other financial reorganisation. The impairment 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.

The Group derecognises a financial asset only when the contractual rights to the cash flows form the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 an entity after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

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

Financial guarantee contract

Financial guarantee contract issued by the Group 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 the end of each reporting period. 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 twelve months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

Derivatives not qualified for hedging

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

Derecognition

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration 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 end of each reporting period, 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.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

Equity-settled share-based payment transactions

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

The fair value of share options is recognised in profit or loss 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 with a corresponding increase in share option reserve.

Employees' benefits

Short term benefits

Salaries, annual bonuses, paid annual leaves and other allowances are accrued in the period 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 made.

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 the application of the Group's accounting policies. 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 period are discussed as below.

Net realisable value of inventories

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

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.

Income taxes

The Group is subject to income taxes in various jurisdictions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. FINANCIAL RISK MANAGEMENT

a. Financial risk management objectives and policies

The Group's major financial instruments include debtors, other loans and receivables, bills receivable, derivative financial assets and liabilities, creditors, bills payable, obligations under finance leases, borrowings, and deferred consideration payable. 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 statement of financial position. 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 the end of each reporting period 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 credit risk on liquid funds is limited because the counterparts are banks with high credit-ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in Note 21.

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 29. 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 interest rates and terms of repayment of the Group's borrowings are disclosed in Note 29.

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the period and accumulated losses by approximately HK$2,061,000 (six months ended 31 December 2008: increase/decrease the loss of HK$1,716,000 (unaudited)).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period 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 reporting date. The analysis is performed on the same basis for the six months ended 31 December 2008.

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 end of reporting period 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 end of reporting period) and the earliest date the Group can be required to pay.

The Group	**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*
31 December 2009					
Borrowings	214,314	220,398	220,398	–	–
Obligations under finance leases	860	890	890	–	–
Creditors, other advances and accrued charges, and bills payable	137,882	137,882	137,882	–	–
Deferred consideration payable	6,750	6,790	6,790	–	–
	359,806	365,960	365,960	–	–
Derivative financial liabilities	–	–	–	–	–

	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*
30 June 2009					
Borrowings	190,621	192,948	188,769	836	3,343
Obligations under finance leases	6,460	7,914	5,034	2,880	–
Creditors, other advances and accrued charges, and bills payable	245,949	246,100	246,100	–	–
Deferred consideration payable	6,674	6,790	–	6,790	–
	449,704	453,752	439,903	10,506	3,343
Derivative financial liabilities	520	520	–	–	–

Liquidity risk

The Company	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*
31 December 2009					
Amounts due to subsidiaries	60,557	60,557	60,557	–	–
Other advances and accrued charges	132	132	132	–	–
	60,689	60,689	60,689	–	–
Financial guarantee issued					
Maximum amount guaranteed	–	–	56,604	–	–

	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*
30 June 2009					
Amounts due to subsidiaries	60,557	60,557	60,557	–	–
other advances and accrued charges	192	192	192	–	–
	60,749	60,749	60,749	–	–
Financial guarantee issued					
Maximum amount guaranteed	–	–	32,055	–	–

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 the end of reporting period are set out in Note 23.

At 31 December 2009, it is estimated that a general increase/decrease of 10% in copper future contract price, with all other variables held constant, would decrease/increase the Group's loss for the period and accumulated losses by approximately HK$2,148,000 (six months ended 31 December 2008: HK$Nil (unaudited)) in respect of the instruments outstanding throughout the period.

The sensitivity analysis above has been determined assuming that the change in copper future contract price had occurred at the end of reporting period 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 reporting date. The analysis is performed on the same basis for the six months ended 31 December 2008.

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 financial statements approximate their corresponding fair values.

HKFRS 7 requires disclosure for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

Level 1 – Quoted price (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted price included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

At 31 December 2009, the Group's derivatives are measured at fair value. During the period, there are no significant transfers between Level 1 and Level 2.

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Copper future contracts	769	–	–	769
Foreign exchange forward contracts	–	19	–	19
	769	19	–	788

6. TURNOVER

Turnover, which is also the revenue, represents the amounts received and receivable for goods sold to outside customers, net of returns and discounts and sales related taxes during the period.

7. SEGMENTAL INFORMATION

(a) Reportable segments

The Group manages its business by divisions, which are organised by a mixture of both business lines and geography. The Group's reportable segments under HKFRS 8 do not differ materially from those previously under HKAS 14 and are therefore as follows:

(i) manufacture and trading of cables and wires;

(ii) copper rods; and

(iii) connectors and terminals.

As detailed in Note 32, on 31 December 2009, the Company entered into a conditional sale and purchase agreement to dispose of its business of the manufacture and trading of connectors and terminals. Further details are set out in the Company's announcement dated 8 January 2010. Accordingly, the business segment of manufacture and trading of connectors and terminals was classified as discontinued operations. The comparative consolidated statement of comprehensive income and the related notes have been re-presented as if the operations discontinued during the period had been discontinued at the beginning of the comparative period.

For the six months ended 31 December 2009

	Continuing operations				Discontinued operations		
	Cables and wires	Copper rods	Other	Total	Connectors and terminals	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	187,934	169,702	32	357,668	469,391	–	827,059
Inter-segment revenue	7,361	54,618	–	61,979	155	(62,134)	–
Reportable segment revenue	195,295	224,320	32	419,647	469,546	(62,134)	827,059
Inter-segment revenue are charged at cost							
Reportable segment profit/(loss)	(10,475)	(1,581)	2,570	(9,486)	(188,901)	–	(198,387)
Finance costs							7,521
Impairment loss recognised/(reversal of allowance) for doubtful debts	1,065	104	–	1,169	(889)	–	280
Change in fair value of derivative financial instruments	(1,184)	(1,390)	(2,485)	(5,059)	–	–	(5,059)
Share of results of associates	1,881	–	–	1,881	–	–	1,881
Impairment loss arising from adjustment to fair value less costs to sell	–	–	–	–	230,418	–	230,418
Depreciation	8,561	4,658	984	14,203	8,693	–	22,896
Unallocated							3,939
							26,835
Taxation	(612)	(470)	–	(1,082)	23,171	–	22,089

For the six months ended 31 December 2008 (Unaudited)

	Continuing operations				Discontinued operations		
	Cables and wires	Copper rods	Other	Total	Connectors and terminals	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	324,927	–	10,350	335,277	296,365	–	631,642
Inter-segment revenue	12,931	–	–	12,931	82	(13,013)	–
Reportable segment revenue	337,858	–	10,350	348,208	296,447	(13,013)	631,642
Inter-segment revenue are charged at cost							
Reportable segment profit/(loss)	(68,590)	(139,033)	(3,719)	(211,342)	15,322	–	(196,020)
Finance costs							7,613
Change in fair value of derivative financial instruments	1,228	–	–	1,228	–	–	1,228
Share of results of associates	395	139,033	–	139,428	–	–	139,428
Depreciation	13,763	–	1,046	14,809	7,118	–	21,927
Unallocated							3,949
							25,876
Taxation	1,076	–	–	1,076	4,541	–	5,617

As at 31 December 2009

	Continuing operations				Discontinued operations	
	Cables and wires	Copper rods	Other	Total	Connectors and terminals	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets	407,918	379,192	30,835	817,945	162,931	980,876
Additions to non-current assets	2,293	153	–	2,446	12,788	15,234
Reportable segment liabilities	107,645	244,277	1,653	353,575	134,931	488,506

As at 30 June 2009

	Continuing operations					
	Cables and wires	Copper rods	Other	Total	Connectors and terminals	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets	414,583	358,009	37,207	809,799	292,191	1,101,990
Additions to non-current assets	4,924	–	–	4,924	37,824	42,748
Reportable segment liabilities	111,012	238,703	1,710	351,425	87,791	439,216

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	For the six months ended 31 December	
	2009	**2008**
	HK$'000	*HK$'000*
		(Unaudited)
Loss before taxation and discontinued operations		
Reportable segment profit/(loss)	(198,387)	(196,020)
Segment loss/(gain) from discontinued operations	189,056	(13,609)
Unallocated corporate expenses	(4,944)	(7,822)
Finance costs	(7,521)	(7,613)
Consolidated loss before taxation from continuing operations	(21,796)	(225,064)

	31 December 2009	**30 June 2009**
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	817,945	1,101,990
Segment assets of discontinued operations	162,931	–
Unallocated corporate assets	46,415	8,291
Consolidated total assets	1,027,291	1,110,281
Liabilities		
Reportable segment liabilities	353,575	439,216
Segment liabilities of discountinued operations	134,931	–
Current tax liabilities	327	7,776
Deferred tax liabilities	25,030	26,281
Unallocated corporate liabilities	6,231	11,008
Consolidated total liabilities	520,094	484,281

(c) Geographic information

The Group's operations and non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("Specified non-current assets") are located in Hong Kong, the Mainland China, Americas, Europe and other Asian regions.

The following table provide an analysis of the Group's sales and the Specified non-current assets by geographical market from continuing operations, irrespective of the origin of the goods:

	For the six months ended 31 December	
	2009	**2008**
	HK$'000	*HK$'000*
		(Unaudited)
Mainland China	278,648	210,398
Americas	41,326	55,008
Europe	15,613	26,577
Hong Kong	10,177	23,273
Other Asian regions	11,904	20,103
	357,668	335,359

	Specified non-current assets	
	2009	**2008**
	HK$'000	*HK$'000*
		(Unaudited)
Mainland China	404,147	433,780
Americas	13,423	70,452
Europe	124	398
Hong Kong	358	36,877
Other Asian regions	–	11,598
	418,052	553,105

(d) Information about major customer

During the current period, a customer contributed revenues of HK$30,052,000 (six months ended 31 December 2008: HK$41,034,000 (unaudited)) and HK$253,502,000 (six months ended 31 December 2008: HK$186,461,000 (unaudited)) to the Group's cables and wires segment and connectors and terminals segment, respectively.

8. LOSS BEFORE TAXATION

	Continuing operations For the six months ended 31 December		Discontinued operations For the six months ended 31 December		Total For the six months ended 31 December	
	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000* (Unaudited)	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*	*HK$'000* (Unaudited)
Loss before taxation has been arrived at after charging:						
Auditors' remuneration	595	232	443	–	1,038	232
Depreciation of property, plant and equipment	18,142	18,758	8,693	7,118	26,835	25,876
Cost of inventories *(Note)*	329,745	357,250	375,593	245,072	705,338	602,322
Write-down/(back) of inventories, net	1,417	(11,541)	13,887	–	15,304	(11,541)
Charge of prepaid lease payments for land	1,301	500	90	90	1,391	590
Operating lease rentals in respect of rental premises	753	786	567	751	1,320	1,537
Loss on disposal of property, plant and equipment	200	228	4,318	2,252	4,518	2,480
Exchange losses, net	284	256	–	–	284	256
Wages, salaries and pension attribution including directors' remuneration *(Notes 41 and 9)*	16,612	24,350	64,177	46,729	80,789	71,079
and after crediting:						
Exchange gains, net	–	–	566	19	566	19
Interest income on bank deposits	349	377	3	1,045	352	1,422
Rental income	–	343	–	–	–	343
Sub-contracting income	1,446	–	–	–	1,446	–

Note: Cost of inventories includes HK$69,209,000 (six months ended 31 December 2008: HK$62,017,000 (unaudited)) relating to staff costs, depreciation of property, plant and equipment and charge of prepaid lease payments for land, for which the amounts are also included in the respective total amounts disclosed separately above. Cost of inventories includes write-down of inventories of HK$15,304,000 (six months ended 31 December 2008: write-back of HK$11,541,000 (unaudited)).

9. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

	For the six month ended 31 December							
Name of director	Fees		Salaries and other benefits		Retirement benefit scheme contributions		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)
Mr. Chau Lai Him	–	–	1,613	1,500	6	12	1,619	1,512
Mr. Zhou Jin Hua	–	–	690	696	–	–	690	696
Mr. Liu Jin Rong	–	–	78	82	–	–	78	82
Mr. Ho Pang Cheng, Vincent	–	–	518	457	28	17	546	474
Mr. Lam Chi Ming, Francis	–	–	540	–	6	–	546	–
Mr. Lo Chao Ming	30	48	–	–	–	–	30	48
Mr. Lo Wai Ming	48	30	–	–	–	–	48	30
Mr. Chung Kam Kwong	60	360	–	–	–	–	60	360
Mr. Chan Kwan Hung	–	–	–	294	–	4	–	298
Total	138	438	3,439	3,029	40	33	3,617	3,500

There was no share option granted to any director of the Company for the current and prior periods.

There was no arrangement under which a director waived or agreed to waive any remuneration during the period (six months ended 31 December 2008: HK$Nil (unaudited)).

The five highest paid individuals of the Group include three (six months ended 31 December 2008: two) executive directors of the Company, details of whose remuneration are included above. The emoluments of the remaining two (six months ended 31 December 2008: three) individuals were as follows:

	For the six months ended 31 December	
	2009	**2008**
	HK$'000	*HK$'000*
		(Unaudited)
Salaries and other benefits	1,610	1,929
Contributions to retirement benefits schemes	–	17
	1,610	1,946

Remuneration of these individuals was within the following bands:

	Number of employees For the six months ended 31 December 2009	2008 (Unaudited)
Nil – HK$1,000,000	2	2
HK$1,000,001 – HK$1,500,000	–	1

There is no share option granted to any non-director, highest paid individual of the Group for the current and prior periods.

10. FINANCE COSTS

	Continuing operations For the six months ended 31 December		Discontinued operations For the six months ended 31 December		Total For the six months ended 31 December	
	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000* (Unaudited)	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*	*HK$'000* (Unaudited)
Interest on bank and other borrowings wholly repayable within five years	6,884	6,690	228	771	7,112	7,461
Interest on finance leases	66	114	343	38	409	152
	6,950	6,804	571	809	7,521	7,613

11. TAXATION

	Continuing operations For the six months ended 31 December		Discontinued operations For the six months ended 31 December		Total For the six months ended 31 December	
	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000* (Unaudited)	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*	*HK$'000* (Unaudited)
Taxation in other jurisdictions:						
Current period	331	299	28,088	4,066	28,419	4,365
Over-provision in respect of prior periods	(561)	–	(4,917)	(170)	(5,478)	(170)
	(230)	299	23,171	3,896	22,941	4,195
Deferred taxation (Note 31)	(852)	777	–	645	(852)	1,422
	(1,082)	1,076	23,171	4,541	22,089	5,617

No Hong Kong profits tax has been provided during the current and prior periods as the Group did not derive any assessable profit attributable to its operations in Hong Kong. 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 taxation for the period can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	For the six months ended 31 December	
	2009	**2008**
	HK$'000	*HK$'000*
		(Unaudited)
Loss before taxation	(210,852)	(211,455)
Tax at the PRC income tax rate of 25% (2008: 25%)	(52,713)	(52,864)
Tax effect of expenses not deductible for tax purpose	86,729	21,189
Tax effect of income not taxable for tax purpose	(10,979)	(13,444)
Tax effect of tax losses not recognised	404	17,733
Utilisation of tax losses previously not recognised	(2,467)	–
Over-provision in respect of prior periods	(5,478)	(170)
Effect of different tax rates of the Company's subsidiaries operating outside of the PRC and changes in tax rates	6,123	(1,684)
Tax effect on share of results of associates	470	34,857
Taxation for the period	22,089	5,617

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. The standard corporate income tax rate for enterprises in the PRC is 25%. Accordingly the applicable corporate income tax rate was 25% for the six months ended 31 December 2008 and 2009.

12. LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss from ordinary activities attributable to owners of the Company for the six months ended 31 December 2009 includes a loss of HK$1,863,000 (six months ended 31 December 2008: a loss of HK$5,067,000 (unaudited)) which has been dealt with in the financial statements of the Company.

13. DIVIDEND

No dividend has been declared or paid by the Company for the six months ended 31 December 2009 (six months ended 31 December 2008: HK$Nil (unaudited)).

14. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the period, as adjusted to reflect the capital reorganisation during the period (Note 33(i)). Basic and diluted loss per share amounts for the six months ended 31 December 2008 are restated to take into effect the capital reorganisation during the period.

From continuing and discontinued operations

The calculation of the basic loss per share is based on the following data:

	For the six months ended 31 December	
	2009	**2008**
	HK$'000	*HK$'000*
		(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(232,941)	(217,007)

	Number of shares For the six months ended 31 December	
	2009	**2008**
		(Unaudited) (Restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	928,384,134	120,730,872

As share options outstanding during the periods had an anti-dilutive effect on the basic loss per share for both periods, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore the basic and diluted losses per share for the respective periods are equal.

From continuing operations

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

	For the six months ended 31 December	
	2009	**2008**
	HK$'000	*HK$'000*
		(Unaudited) (Restated)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(20,714)	(226,140)

As share options outstanding during the periods had an anti-dilutive effect on the basic loss per share for both periods, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore the basic and diluted losses per share for the respective periods are equal.

The denominators used are the same as those detailed above for basic and diluted loss per shares.

From discontinued operations

Basic and diluted loss per share from discontinued operations was 22.86 HK cents (six months ended 31 December 2008: basic and diluted earnings per share of 7.57 HK cent (unaudited and restated)) per share based on the loss for the period from discontinued operations of HK$212,227,000 (six months ended 31 December 2008: profit for the period of HK$9,133,000 (unaudited)). The denominators used are the same as those detailed above for basic and diluted loss per share.

15. PROPERTY, PLANT AND EQUIPMENT AND PREPAYMENT FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP							
COST							
At 1 July 2008	68,215	247,424	34,373	86,439	489,735	24,045	950,231
Currency realignment	42	(281)	(172)	(2,302)	(14,753)	(18)	(17,484)
Additions	13,326	326	495	2,194	26,341	66	42,748
Acquisition of subsidiaries under asset swap	1,391	55,682	–	923	55,893	1,896	115,785
Reclassification	(1,475)	–	–	–	1,475	–	–
Disposal of subsidiaries under asset swap	(63,783)	(63,532)	(6,438)	(5,055)	(98,717)	(1,036)	(238,561)
Disposals	–	–	(3,013)	(13,845)	(4,874)	(6,862)	(28,594)
At 30 June 2009 and 1 July 2009	17,716	239,619	25,245	68,354	455,100	18,091	824,125
Currency realignment	1,858	5	50	1,098	9,240	1	12,252
Additions	388	–	118	11,171	3,186	371	15,234
Reclassification	(1,391)	–	–	–	1,391	–	–
Disposals	–	–	–	(8,605)	(595)	(713)	(9,913)
Transfer to assets classified as held for sale *(Note 32)*	(18,571)	(2,200)	(2,910)	(22,201)	(107,742)	(230)	(153,854)
At 31 December 2009	–	237,424	22,503	49,817	360,580	17,520	687,844
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
At 1 July 2008	–	89,621	14,843	59,929	206,647	13,984	385,024
Currency realignment	–	(103)	(136)	(961)	(3,906)	26	(5,080)
Provided for the year	–	12,057	1,828	4,582	32,562	2,331	53,360
Impairment loss	–	17,842	–	791	43,469	–	62,102
Disposal of subsidiaries under asset swap	–	(23,996)	(677)	(2,240)	(34,522)	(217)	(61,652)
Eliminated on disposals	–	–	(2,194)	(12,611)	(512)	(5,724)	(21,041)
At 30 June 2009 and 1 July 2009	–	95,421	13,664	49,490	243,738	10,400	412,713
Currency realignment	–	4	44	531	3,450	1	4,030
Provided for the period	–	6,240	682	8,118	10,660	1,135	26,835
Eliminated on disposals	–	–	–	(4,657)	(233)	(505)	(5,395)
Transfer to assets classified as held for sale *(Note 32)*	–	(602)	(2,392)	(14,394)	(43,129)	(51)	(60,568)
At 31 December 2009	–	101,063	11,998	39,088	214,486	10,980	377,615
NET CARRYING AMOUNT							
At 31 December 2009	–	136,361	10,505	10,729	146,094	6,540	310,229
At 30 June 2009	17,716	144,198	11,581	18,864	211,362	7,691	411,412

At 31 December 2009, the net carrying amount of property, plant and equipment of the Group includes plant and machinery of HK$2,039,000 (30 June 2009: HK$8,545,000), motor vehicles of HK$1,913,000 (30 June 2009: HK$2,015,000) and equipment, furniture and fixtures of HK$Nil (30 June 2009: HK$10,000) in respect of assets held under finance leases. None of the leases includes contingent rentals. During the period, additions to plant and machinery of the Group financed by new finance leases were HK$321,000 (year ended 30 June 2009: HK$4,201,000).

The Group has pledged buildings and plant and machinery with aggregate net carrying amount at 31 December 2009 of HK$128,236,000 (30 June 2009: HK$136,829,000) to secure banking facilities granted to the Group (Note 24).

At 31 December 2009, the Group was in the process of obtaining the relevant title documents of certain of its buildings with aggregate carrying amount of HK$10,330,000 (30 June 2009: HK$10,768,000).

As at 31 December 2009 and 30 June 2009, the prepayment amount represented prepayment made for acquisition of items of property, plant and equipment.

For the year ended 30 June 2009, certain items of property, plant and equipment were under-utilised. As a result, the Group assessed the recoverable amounts of these items. Based on the assessment, the carrying value of these items of plant and machinery and buildings were written down by HK$62,102,000. The recoverable amount of the relevant assets had been determined on the basis of their value in use with reference to the probable discounted cash flows from those items of plant and machinery and buildings.

16. PREPAID LEASE PAYMENTS FOR LAND

	Note	**31 December 2009** *HK$'000*	**30 June 2009** *HK$'000*
Net carrying amount:			
At beginning of period/year		107,987	47,644
Acquisition of subsidiaries under asset swap		–	67,482
Disposal of subsidiaries under asset swap		–	(5,248)
Charge to the profit or loss for the period/year		(1,391)	(1,846)
Exchange realignments		–	(45)
Transfer to assets classified as held for sale	32	(7,200)	–
At end of period/year		99,396	107,987

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

	31 December 2009 HK$'000	30 June 2009 HK$'000
Leasehold land situated in the PRC held under		
– medium term lease	97,783	99,061
– long term lease	–	7,290
Leasehold land situated in Hong Kong held under medium term lease	1,613	1,636
	99,396	107,987
Analysed for reporting purposes as:		
Non-current	96,794	105,394
Current	2,602	2,593
	99,396	107,987

The Group has pledged prepaid lease payments for land with aggregate carrying amount at 31 December 2009 of HK$102,266,000 (30 June 2009: HK$101,236,000) to secure banking facilities granted to the Group (Note 24).

At 31 December 2009, the Group was in the process of obtaining the relevant title documents of certain of its land use rights with aggregate carrying amount of HK$63,777,000 (30 June 2009: HK$64,626,000).

17. INTERESTS IN SUBSIDIARIES

	The Company	
	31 December 2009 HK$'000	30 June 2009 HK$'000
Unlisted shares, at cost	8	8
Amounts due from subsidiaries	1,688,531	1,617,679
	1,688,539	1,617,687
Less: impairment loss on investment cost	(8)	(8)
impairment loss on amounts due from subsidiaries	(1,328,001)	(1,267,001)
	360,530	350,678

The amounts due from subsidiaries are unsecured, interest-free and are not repayable within twelve months after the end of reporting period. The amounts due from subsidiaries in substance represent the Company's interests in the subsidiaries in the form of quasi-equity loans and therefore they are included under the non-current assets of the Company.

Accumulated impairment losses on investment cost and amounts due from subsidiaries of HK$8,000 (30 June 2009: HK$8,000) and HK$1,328,001,000 (30 June 2009: HK$1,267,001,000) respectively were recognised as at 31 December 2009 because the related recoverable amounts of the investment cost and the amounts due from subsidiaries with reference to the higher of fair value less costs to sell and value in use of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related investment cost and amounts due therefrom are reduced to their recoverable amounts.

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

The following list contains only the particulars of the principal subsidiaries at 31 December 2009 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 Elétricos e Eletrônicos Limitada	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 a)*	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	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$47,400,000	86%	Manufacture and trading of chemical products
Gosberton Assets Limited	British Virgin Islands	US$1	100%	Holding of trademarks

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
Hua Yi Copper Products Company Limited	Hong Kong	HK$5,000,000	100%	Manufacture and trading of copper products
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd.#	PRC	US$14,925,000	100%	Manufacture and trading of copper 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
Stocko Electronics Asia Pacific Pte Ltd	Singapore	S$100,000	100%	Trading in wire harness and connectors
TEM Electronics (M) Sdn. Bhd.	Malaysia	RM500,000	100%	Manufacture of wire harness and connectors
SIT Electronic Company Limited	Thailand	THB13,000,000	100%	Manufacture of wire harness and connectors
Yellowstone Assets Limited	British Virgin Islands	US$1	100%	Investment holding

Wholly-owned foreign enterprise

* Equity joint venture

Notes:

a. The deferred shares, which are not held by the Group, practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the subsidiary.

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

None of the subsidiaries issued any debt securities at the end of reporting period.

18. INTERESTS IN ASSOCIATES

	31 December 2009 HK$'000	30 June 2009 HK$'000
Share of net assets	9,429	11,310

The following only sets out the particulars of the associate at 31 December 2009 which principally affects the Group's results for the period 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	Place of establishment	Proportion of nominal value of issued/registered capital indirectly held by the Company	Principal activities
候馬普天榮盛光纜有限公司 /Corporate	PRC	20%	Manufacture and trading of optical fibre cable and related products

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

	31 December 2009 HK$'000	30 June 2009 HK$'000
Total assets	79,339	77,940
Total liabilities	(32,196)	(21,389)
Net assets	47,143	56,551
Group's share of net assets of associates	9,429	11,310

	For the six months ended 31 December	
	2009 HK$'000	2008 HK$'000 (Unaudited)
Revenue	50,292	1,159,237
Loss for the period	(9,408)	(308,079)
Group's share of results of associates for the period	(1,881)	(139,428)

Note: On 22 April 2008, Hua Yi Copper Holdings Limited ("Hua Yi Copper"), the then listed subsidiary of the Company, became an associate of the Group. On 30 April 2009, the Group entered into a sale and purchase agreement with an independent third party for the disposal of its entire equity interests in Hua Yi Copper at a net cash consideration of HK$23,760,000. The disposal was completed on 5 May 2009.

19. GOODWILL

At 30 June 2009, goodwill of HK$23,389,000 arising from acquisition of subsidiaries in prior years was allocated to one cash generating unit ("CGU"), representing the Group's manufacture and trading of connectors and terminals business in Brazil.

On 31 December 2009, the Group entered into a conditional sale and purchase agreement in relation to the disposal of the entire equity interest in New Universe Investments Limited ("New Universe"), an indirect wholly-owned subsidiary of the Company and its subsidiaries. New Universe and its subsidiaries are principally engaged in the manufacture and trading of connectors and terminals in Malaysia, Singapore, the PRC, Thailand; and the Brazil CGU. The estimated net proceeds, net of expenses, from the disposal is approximately HK$28 million. Up to the date of approval of these financial statements, the disposal has not been completed.

The above goodwill of HK$23,389,000, which is attributable to the Brazil CGU, is transferred to assets classified as held for sale as at 31 December 2009 and is disclosed in Note 32.

20. INVENTORIES

	The Group	
	31 December 2009	**30 June 2009**
	HK$'000	*HK$'000*
Raw materials	111,647	92,588
Work in progress	23,451	14,975
Finished goods	68,196	70,721
	203,294	178,284
Transfer to assets classified as held for sale *(Note 32)*	(87,883)	–
	115,411	178,284

During the current period, the Group has 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 in the aggregate amount of HK$15,304,000 were determined to decline below their estimated net realisable value and were recorded as a write-down in the profit or loss for the period. On the other hands, during the six months ended 31 December 2008, certain inventories in the aggregate amount of HK$13,718,000 that were partially impaired in the prior years were sold in that period and were recorded as a write-back of inventories in the profit or loss, resulting in write-back of inventories by HK$11,541,000 (unaudited) (included in "cost of sales") for the six months ended 31 December 2008 (Note 8).

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

At 31 December 2009, included in the Group's debtors, other loans and receivables, deposits and prepayments were trade debtors of HK$84,551,000 (30 June 2009: HK$142,551,000).

(i) The Group allows an average credit period of 90 days to its trade customers.

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

	The Group	
	31 December 2009	**30 June 2009**
	HK$'000	*HK$'000*
Within 30 days	79,347	126,175
31 – 60 days	3,796	9,370
61 – 90 days	697	3,539
Over 90 days	711	3,467
	84,551	142,551

At 31 December 2009, the Group's trade debtors of HK$Nil (30 June 2009: HK$1,477,000) (Note 24) were discounted to banks with recourse.

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

	The Group	
	31 December 2009	**30 June 2009**
	HK$'000	*HK$'000*
At beginning of period/year	15,338	5,426
Impairment loss recognised	2,621	12,060
Reversal of allowance for doubtful debts	(2,341)	(885)
Uncollectible amounts written off	(1,437)	(2,477)
Disposal of subsidiary	–	1,215
Exchange realignments	130	(1)
At end of period/year	14,311	15,338

At 31 December 2009, the Group's trade debtors of HK$14,311,000 (30 June 2009: HK$15,338,000) 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.

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

	The Group	
	31 December 2009	**30 June 2009**
	HK$'000	*HK$'000*
Neither past due nor impaired	83,840	139,084
Past due but not impaired	711	3,467
	84,551	142,551

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.

(v) At 31 December 2009, included in debtors, other loans and receivables, deposits and prepayments were amounts due from financial institutions amounting to HK$2,788,000 (30 June 2009: HK$3,395,000) resulting from the net settlements of derivative financial instruments which were in the closed out positions at the end of reporting period.

(vi) **Amounts due from related companies**

At 31 December 2009, included in the Group's debtors, other loans and receivables, deposits and prepayments were amounts due from related companies in the aggregate amount of HK$9,893,000. The amounts are unsecured, interest-free and have no fixed terms of repayment, which is also the maximum outstanding balance due from the related companies during the six months ended 31 December 2009. A director of these related companies is also a director of the Company as at 31 December 2009.

(vii) At 31 December 2009, an amount of HK$157,342,000 of debtors, other loans and receivables, deposits and prepayments was transferred to assets classified as held for sale (Note 32).

22. BILLS RECEIVABLE

As at 31 December 2009 and 30 June 2009, all bills receivable aged within 90 days.

23. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative not qualified for hedging

	The Group			
	31 December 2009		30 June 2009	
	Assets	Liabilities	Assets	Liabilities
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Copper future contracts	769	–	9	–
Foreign exchange forward contracts	19	–	45	(520)
Total	788	–	54	(520)

Copper future contracts

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

	As at 31 December 2009	As at 30 June 2009
Quantities (in tonnes)	375	75
Average price per tonne	US$7,373	US$4,958
Delivery period	From January 2010 to March 2010	From July 2009 to September 2009
Fair value gain of copper future contracts recognised as current assets (in HK$'000)	769	9

Forward foreign exchange contracts

As at 31 December 2009, the forward foreign exchange contracts are settled at specific time intervals and the major terms of the forward foreign exchange contracts are as follows:

Notional amount/ settlement interval	Maturity dates	Contracted exchange rates	Fair value gain/(loss)	
			HK$'000	*HK$'000*
US$700,000 or US$2,100,000/month	24 May 2010	HK$7.735/US$1	2	–
US$700,000 or US$2,100,000/month	24 May 2010	HK$7.7499 to HK$7.7399/US$1	17	–
			19	–

As at 30 June 2009, the forward foreign exchange contracts are settled at specific time intervals and the major terms of the forward foreign exchange contracts are as follows:

Notional amount/ settlement interval	Maturity dates	Contracted exchange rates	Fair value gain/(loss)	
			HK$'000	*HK$'000*
US$700,000 or US$2,100,000/month	24 May 2010	HK$7.735/US$1	–	(221)
US$700,000 or US$2,100,000/month	24 May 2010	HK$7.7499 to HK$7.7399/US$1	–	(274)
US$2,000,000 or HK$15,500,000/month	28 August 2009	HK$7.75/US$1	–	(25)
US$1,000,000 or HK$7,720,000/month	28 December 2009	HK$7.72/US$1	45	–
			45	(520)

The above derivatives are measured at fair value at end of each reporting period 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 foreign exchange forward contracts were provided by banks or financial institutions at the end of reporting periods. The gain on change in fair value of derivative financial instruments of HK$5,059,000 (six months ended 31 December 2008: loss on change in fair value of HK$1,228,000 (unaudited)) has been recognised in the profit or loss during the period.

24. PLEDGE OF ASSETS

At 31 December 2009, the Group has pledged the following assets to secure general banking facilities granted to the Group. The carrying amounts of these assets are analysed as follows:

		The Group	
		31 December 2009	**30 June 2009**
	Notes	*HK$'000*	*HK$'000*
Property, plant and equipment	*15*	128,236	136,829
Prepaid lease payments for land	*16*	102,266	101,236
Trade debtors	*21(ii)*	–	1,477
Fixed bank deposits and bank balances		45,104	48,136
		275,606	287,678

25. BANK BALANCES AND CASH (INCLUDING THE PLEDGED DEPOSITS)

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.

	The Group	
	31 December 2009	**30 June 2009**
	HK$'000	*HK$'000*
Bank balances and cash and pledged deposits were denominated in the foreign currencies:		
Renminbi ("RMB")	85,280	60,403
HK$	48,349	43,682
US$	46,682	27,747
RM	8,352	7,314
SGD	4,133	749
THB	1,942	3,163
BRL	1,837	1,566
EUR	1,140	1,954
	197,715	146,578
Transferred to assets classified as held for sale *(Note 32)*	(21,908)	–
Total	175,807	146,578

	The Company	
	31 December 2009	**30 June 2009**
	HK$'000	*HK$'000*
Bank balances and cash and pledged deposits were denominated in the foreign currencies:		
HK$	30,956	10,247
US$	6,676	14
Total	37,632	10,261

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

26. CREDITORS, OTHER ADVANCES AND ACCRUED CHARGES

At 31 December 2009, included in the Group's creditors, other advances and accrued charges were trade creditors of HK$29,038,000 (30 June 2009: HK$62,743,000). At 31 December 2009, an amount of HK$124,397,000 included in creditors, other advances and accrued charges was transferred to liabilities associated with assets classified as held for sale (Note 32).

The aging analysis of trade creditors, based on invoice date, is as follows:

	The Group	
	31 December 2009	**30 June 2009**
	HK$'000	*HK$'000*
Within 30 days	22,347	44,262
31 – 60 days	3,536	4,317
61 – 90 days	1,111	2,727
Over 90 days	2,044	11,437
	29,038	62,743

27. BILLS PAYABLE

At 31 December 2009 and 30 June 2009, all bills payable aged within 90 days.

28. OBLIGATIONS UNDER FINANCE LEASES

	The Group			
	Minimum lease payments		**Present value of minimum lease payments**	
	31 December 2009	**30 June 2009**	**31 December 2009**	**30 June 2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases				
Within one year	4,481	5,034	3,377	4,077
In the second to fifth years inclusive	2,287	2,880	1,573	2,383
	6,768	7,914		
Less: Future finance charges	(1,818)	(1,454)		
Present value of lease obligations	4,950	6,460	4,950	6,460
Less: Transfer to liabilities associated with assets classified as held for sales *(Note 32)*	(4,090)	–	(4,090)	–
	860	6,460	860	6,460
Less: Amount due within one year			(860)	(4,077)
Amount due after one year			–	2,383

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 8% (30 June 2009: 8%) 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.

29. BORROWINGS

	The Group	
	31 December 2009	**30 June 2009**
	HK$'000	*HK$'000*
Borrowings are secured and are analysed as follows:		
Bank loans	154,650	163,811
Trust receipt loans	59,664	26,810
	214,314	190,621
The carrying amounts of borrowings repayable:		
Within one year	214,314	185,846
More than one year but not exceeding two years	–	4,775
	214,314	190,621
Amount due within one year shown under current liabilities	(214,314)	(185,846)
Amount due over one year shown under non-current liabilities	–	4,775

The average effective interest rates of the bank borrowings range from 5.58% to 7.84% (30 June 2009: from 5.01% to 8.96%) per annum.

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 31 December 2009, the Group had available HK$144,476,000 (30 June 2009: HK$187,967,000) 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 24.

30. DEFERRED CONSIDERATION PAYABLE

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 Elétricos e Eletrônicos Limitada. ("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 initial 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 repayable 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)
Fourth instalment due in July 2010: US$875,000 (equivalent to HK$6,790,000)

The above transaction was completed on 2 August 2006.

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.

At 31 December 2009, the carrying amount of the deferred consideration payable was HK$6,750,000 (30 June 2009: HK$6,674,000).

31. DEFERRED TAX

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

	The Group					
	Accelerated tax depreciation	**Revaluation of properties**	**Tax losses**	**Write down of inventories**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2008	5,134	–	(794)	(1,382)	(4,103)	(1,145)
Exchange realignment	(73)	–	–	298	832	1,057
(Credit)/charge to the profit or loss for the year	(229)	26	794	1,084	2,919	4,594
Effect of change in tax rate	(99)	–	–	–	–	(99)
Acquisition of subsidiaries under asset swap	14,514	7,360	–	–	–	21,874
At 30 June 2009	19,247	7,386	–	–	(352)	26,281
Exchange realignment	20	–	–	–	(10)	10
Credit to the profit or loss for the period *(Note 11)*	(852)	–	–	–	–	(852)
Transfer to liabilities associated with assets classified as held for sale *(Note 32)*	(771)	–	–	–	362	(409)
At 31 December 2009	17,644	7,386	–	–	–	25,030

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

	The Group	
	31 December 2009	**30 June 2009**
	HK$'000	*HK$'000*
Deferred tax liabilities	25,030	26,281

At 31 December 2009, the Group has unused tax losses of HK$142,922,000 (30 June 2009: HK$152,217,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the such tax losses due to the unpredictability of future profit streams. Tax losses of HK$106,376,000 (30 June 2009: HK$109,452,000) may be carried forward indefinitely and the remaining amount of HK$36,546,000 (30 June 2009: HK$42,765,000) would expire in 2012.

The Group had no other significant unprovided deferred tax assets or liabilities at the end of reporting period (30 June 2009: HK$Nil).

32. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 31 December 2009, the Group entered into a conditional sale and purchase agreement with a purchaser in relation to the disposal of the entire equity interest in New Universe and its subsidiaries (collectively referred to as the "Disposal Group"), for an aggregate consideration of HK$28,000,000, net of expenses. The Disposal Group constitutes the Group's connectors and terminals segment. Details of the disposal were set out in the announcement of the Company dated 8 January 2010.

The major classes of assets and liabilities of the Disposal Group as at 31 December 2009 have been classified as held for sale and are set out below:

	Notes	*HK$'000*
Property, plant and equipment	*15*	93,286
Prepaid lease payments for land	*16*	7,200
Goodwill	*19*	23,389
Inventories	*20*	87,883
Debtors, other loans and receivables, deposits and prepayments	*21(vii)*	157,342
Tax recoverable		2,341
Bank balances and cash	*25*	21,908
Impairment loss arising from adjustment to fair value less costs to sell		(230,418)
Assets classified as held for sale		162,931
Creditors, other advances and accrued charges	*26*	124,397
Obligations under finance leases	*28*	4,090
Taxation		6,035
Deferred tax liabilities	*31*	409
Liabilities associated with assets classified as held for sale		134,931
Included in other comprehensive income and reserve of the Disposal Group classified as held for sale		
Exchange reserve		13,837

The trade debtor balances included in debtors, other loans and receivables, deposits and prepayments aged within 90 days. The trade creditor balances included in creditors, other advances and accrued charges aged within 90 days.

The Disposal Group has contributed a cash inflow of HK$17,003,000 in the Group's operating activities, cash outflow of HK$9,700,000 in the Group's investing activities and cash outflow of HK$10,209,000 in the Group's financing activities.

33. SHARE CAPITAL

	Number of shares		Share capital	
	31 December 2009	30 June 2009	31 December 2009	30 June 2009
	'000	*'000*	*HK$'000*	*HK$'000*
Ordinary shares of HK$0.01 each:				
Authorised *(Note (i))*	30,000,000	30,000,000	300,000	300,000
Issued and fully paid:				
At beginning of the period/year	3,168,451	603,654	31,685	6,037
Capital reorganisation *(Note (i))*	(2,534,761)	–	(25,348)	–
Placements of new shares *(Note (ii))*	678,730	120,000	6,787	1,200
Open offer of new shares *(Note (iii))*	–	2,414,617	–	24,146
Exercise of share options *(Note (iv))*	–	30,180	–	302
At end of the period/year	1,312,420	3,168,451	13,124	31,685

Notes:

(i) Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 9 July 2009, a capital reorganisation was effected such that the authorised share capital of the Company remains at HK$300,000,000 represented by 30,000,000,000 shares. The capital reorganisation involved (i) share consolidation of every 5 shares of HK$0.01 each into 1 consolidated share of HK$0.05 each; (ii) capital reduction for each issued consolidated share from HK$0.05 each to HK$0.01 each by cancellation of HK$0.04 each on each issued consolidated share; and (iii) sub-division each of the authorised but unissued consolidated share into 5 ordinary shares of HK$0.01 each.

The credit arising from the capital reduction of HK$25,348,000 was transferred to the contributed surplus account of the Company during the period.

(ii) During the current period, aggregate number of 678,730,000 new ordinary shares of par value of HK$0.01 each were issued at subscription prices ranging from HK$0.135 each to HK$0.220 each to the then independent third parties of the Company at an aggregate consideration of HK$100,007,000, net of issuing expenses, of which HK$6,787,000 was credited to share capital and the remaining balance of HK$93,220,000 was credited to the share premium account.

During the year ended 30 June 2009, 120,000,000 new ordinary shares of par value HK$0.01 each were issued at subscription price HK$0.066 each to the then independent third parties of the Group at an aggregate consideration of HK$7,669,000, net of issuing expenses, of which HK$1,200,000 was credited to share capital and the remaining balance of HK$6,469,000 was credited to the share premium account.

(iii) During the year ended 30 June 2009, 2,414,617,448 new ordinary shares of par value HK$0.01 each were issued under an open offer at a subscription price of HK$0.027 each at an aggregate consideration of HK$59,989,000, net of issuing expenses, of which HK$24,146,000 was credited to share capital and the remaining balance of HK$35,843,000 was credited to the share premium account.

(iv) During the year ended 30 June 2009, 30,180,000 new ordinary shares of par value HK$0.01 each were issued at subscription prices of HK$0.079 each on exercise of 30,180,000 (Note 40) share options at an aggregate consideration of HK$2,384,000, net of issuing expenses, of which HK$302,000 was credited to share capital and the remaining balance of HK$2,082,000 was credited to the share premium account. In addition, an amount attributable to the related share options of HK$667,000 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.

34. RESERVES OF THE COMPANY

	Share premium	Contributed surplus	Share option reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2008	229,243	738,559	5,044	(55,497)	917,349
Total comprehensive income for the period	–	–	–	(5,067)	(5,067)
Cancellation and lapse of share options	–	–	(5,044)	5,044	–
At 31 December 2008 (unaudited)	229,243	738,559	–	(55,520)	912,282
Total comprehensive income for the period	–	–	–	(689,160)	(689,160)
Open offer of new shares *(Note 33(iii))*	35,843	–	–	–	35,843
Placement of new shares *(Note 33(ii))*	6,469	–	–	–	6,469
Issue of shares upon exercise of share options *(Note 33(iv))*	2,082	–	–	–	2,082
Transfer upon exercise of share options *(Note 33(iv))*	667	–	(667)	–	–
Recognition of equity-settled share-based payments	–	–	1,334	–	1,334
At 30 June 2009 and 1 July 2009	274,304	738,559	667	(744,680)	268,850
Total comprehensive income for the period	–	–	–	(62,863)	(62,863)
Capital reorganisation *(Note 33(i))*	–	25,348	–	–	25,348
Placements of new shares *(Note 33(ii))*	93,220	–	–	–	93,220
At 31 December 2009	367,524	763,907	667	(807,543)	324,555

Notes:

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

35. DISPOSAL OF INTEREST IN A LISTED ASSOCIATE AND DISCOUNT ON ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 30 April 2009, the Group entered into a sale and purchase agreement with an independent third party for the disposal of its entire 28.62% equity interest in Hua Yi Copper, the then listed associate of the Group, at a cash consideration of HK$23,760,000, net of direct costs incurred on disposal. The disposal was completed on 5 May 2009. This disposal gave rise to a release of exchange reserve of HK$20,770,000 upon the disposal, which was recognised in profit or loss for the year ended 30 June 2009.

36. ACQUISITION AND DISPOSAL OF SUBSIDIARIES UNDER AN ASSET SWAP ARRANGEMENT

On 5 December 2008, the Company, Chau's Industrial Investments Limited ("Chau's Industrial"), a wholly-owned subsidiary of the Company, Chau's Electrical Company Limited ("Chau's Electrical"), an indirect wholly-owned subsidiary of the Company, Hua Yi Copper, a then listed associate of the Group, and Wah Yeung Capital Resources Limited ("Wah Yeung"), an indirectly wholly-owned subsidiary of Hua Yi Copper, entered into three sale and purchase agreements and one set-off deed (collectively the "Asset Swap"), pursuant to which the Group agreed to acquire from Hua Yi Copper i) 100% equity interest in Modern China Enterprises Limited ("Modern China") and its subsidiaries (the "Modern China Group"); ii) 100% equity interest in Hua Yi Copper Products Company Limited ("HY Products") and its subsidiary (the "HY Products Group"); and iii) the unsecured and interest-free shareholder's loan owed by HY Products Group to Wah Yeung (the "HY Products Shareholder Loan") in the consideration for the Group's disposal of i) 100% equity interest in Solartech Enterprises Limited ("Solartech Enterprises") and its subsidiaries (the "Solartech Enterprises Group") and the unsecured and interest-free shareholder's loan owed by the Solartech Enterprises Group to Chau's Industrial (the "Solartech Enterprises Shareholder Loan"); and ii) 100% equity interest in Fund Resources Limited ("Fund Resources") and its subsidiary (the "Fund Resources Group"), and the unsecured and interest-free shareholder's loan owed by the Fund Resources Group to Chau's Electrical (the "Fund Resources Shareholder Loan"). An additional consideration of HK$20,000,000 is also payable by the Hua Yi Copper Group to the Group under the Asset Swap. The Asset Swap was completed on 4 February 2009. Further details are set in the Company's circular dated 31 December 2008 and announcement dated 30 December 2008.

The Asset Swap gave rise to a release of exchange reserve of HK$11,347,000 upon the disposal of Solartech Enterprise Group and the Fund Resources Group to profit or loss in the year ended 30 June 2009.

37. CAPITAL COMMITMENTS

	The Group	
	31 December 2009	**30 June 2009**
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
Plant and machinery	10,004	2,086

38. LEASE COMMITMENTS

The Group as lessee

At the end of reporting period, 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:

	The Group	
	31 December 2009	**30 June 2009**
	HK$'000	*HK$'000*
Within one year	3,064	3,407
In the second to fifth years inclusive	1,544	2,378
	4,608	5,785

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

39. MAJOR NON-CASH TRANSACTIONS

During the current period, prepayments for acquisition of property, plant and equipment with carrying amount of HK$Nil (six months ended 31 December 2008: HK$1,843,000 (unaudited)) has been reclassified to property, plant and equipment which have been put into operation in the current period.

As disclosed in Note 15, additions to plant and machinery of the Group financed by new finance leases were HK$321,000 during the period.

40. SHARE OPTION SCHEMES

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 others providing similar services, 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 and others providing similar services, including directors, of the Company and any of its subsidiaries and associates, 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 current and prior periods, no share-based payment has been recognised in the profit or loss.

The following table discloses movements in the Company's Share Option Scheme in the current period and the year ended 30 June 2009.

For the six months ended 31 December 2009

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Number of share options: Outstanding at 1.7.2009 '000	Capital reorganisation during the period '000 (Note 33(i))	Outstanding at 31.12.2009 '000
Employee	8 June 2009	9 Jun 2009 to 8 July 2011	Immediate on the grant date	0.395*	30,180	(24,144)	6,036
					30,180	(24,144)	6,036

* The exercise price of the share options was adjusted from HK$0.079 to HK$0.395 pursuant to the capital reorganisation during the period (Note 33(i)).

For the year ended 30 June 2009

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Number of share options: Outstanding at 1.7.2008 '000	Granted during the year '000	Exercised during the year '000 (Note 33(iv))	Lapsed/cancelled during the year '000	Outstanding at 30.6.2009 '000	Exercisable period
Director										
– Zhou Jin Hua	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2010	0.59	3,000	–	–	(3,000)	–	N/A
– 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)	–	N/A

Capacity	Date of grant	Exercisable period	Vesting period	Exercise price	Outstanding at 1.7.2008	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at 30.6.2009	Exercisable period
					Number of share options					
				HK$	'000	'000	'000 (Note 33(iv))	'000	'000	
– 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)	–	N/A
Employees	5 November 2007	1 February 2008 to 31 January 2011	5 November 2007 to 1 February 2008 5 November 2007 to 1 February 2009 5 November 2007 to 1 February 2010	0.59	15,600	–	–	(15,600)	–	N/A
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	6,670	–	–	(6,670)	–	N/A
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)	–	N/A
Employee	8 June 2009	9 Jun 2009 to 8 July 2011	Immediate on the grant date	0.079*	–	60,360	(30,180)	–	30,180	9 June 2009 to 8 June 2011
					49,270	60,360	(30,180)	(49,270)	30,180	

* The exercise price of the share options was adjusted from HK$0.079 to HK$0.395 pursuant to the capital reorganisation during the period (Note 33 (i)).

The weighted average closing price of the Company's shares immediately before the date on which share options were exercised during the year ended 30 June 2009 was HK$0.067 (unadjusted).

At the end of the reporting period and the date of the approval of these financial statements, the Company had adjusted number of 6,036,000 share options outstanding under the share option scheme, which represented approximately 0.46% of the Company's shares in issue as at the end of reporting period. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 6,036,000 additional ordinary shares of the Company and additional share capital of HK$60,000 and share premium account of HK$2,324,000 (before issue expenses), respectively.

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

41. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "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 profit or loss represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

During the current period, the Group made retirement benefits schemes contributions of HK$1,933,000 (six months ended 31 December 2008: HK$2,466,000 (unaudited)).

42. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group entered into the following transactions with related companies (2008: subsidiaries of an associate):

	The Group For the six months ended 31 December	
	2009	**2008**
	HK$'000	*HK$'000*
		(Unaudited)
Sale of goods	631	–
Purchases of goods	23,258	126,026
Rental expenses of factory premises	–	460
Rental income of office premises	–	194
Management fee expenses	–	561

During the current period, a director of the above related companies is also a director of the Company. During the prior period, these companies are subsidiaries of an associate of the Group.

The above transactions were determined with reference to the terms mutually agreed between the Group and the related parties (2008: subsidiaries of an associate).

Compensation of key management of the Group

Members of key management personnel of the Group during the period comprised only of the directors whose remuneration is set out 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 29 and obligations under finance leases in Note 28, bank balances and cash in Note 25 and equity attributable to owners of the Company, comprising share capital and reserves 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 end of reporting period was as follows:

	The Group	
	31 December 2009	**30 June 2009**
	HK$'000	*HK$'000*
Debts	215,174	197,081
Bank balances and cash	(175,807)	(146,578)
Net debts	39,367	50,503
Equity	507,197	626,000
Net debt to equity ratio	8%	8%

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 31 December and 30 June 2009 may be categorised as follows:

	The Group	
	31 December 2009	**30 June 2009**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including bank balances and cash) at amortised cost	327,042	372,352
Derivative financial assets at fair value	788	54
Financial liabilities		
Financial liabilities measured at amortised cost	359,806	449,704
Derivative financial liabilities at fair value	–	520

45. EVENTS AFTER REPORTING PERIOD AND SIGNIFICANT EVENT IN THE PERIOD

(i) On 15 January 2010, and the Company entered into a placing agreement with Kingston Securities Limited ("Kingston") pursuant to which the Company has conditionally agreed to place through Kingston, on a fully underwritten basis, 262,000,000 placing shares for an aggregate estimated net proceeds of HK$30.5 million to not fewer than six placees who and whose ultimate beneficial owners are third parties independent of and will not be connected with the Company and its connected persons (as defined in the Listing Rules). The placement was completed on 27 January 2010. Further details are set out in the announcement of the Company dated 15 January 2010.

(ii) On 9 February 2010, and the Company entered into a placing agreement with Kingston pursuant to which the Company has conditionally agreed to place through Kingston, on a best effort basis, up to 2,000,000,000 placing shares, by a maximum of four tranches for an aggregate estimated maximum net proceeds of HK$194.0 million, to not less than six placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules). Further details are set out in the announcement and circular of the Company dated 9 February 2010 and 5 March 2010, respectively.

(iii) On 10 November 2009, the Company entered into the sale and purchase agreement with the vendor and Mr. Liu Yong as the vendor's guarantor pursuant to which the Company has conditionally agreed to acquire from the vendor the entire issued share capital of Sun Progress Limited, a company incorporated in the British Virgin Islands and is wholly-owned by the vendor, which holds licences in respect of the copper-gold-silver mine located in a place named Nergui of Delgerkhangai soum in Dundgobi aimag, Mongolia through its subsidiary, Ikh Shijir Erdene LLC (a company incorporated in Mongolia with limited liability). The consideration payable under the sale and purchase agreement is HK$1,500,000,000 and shall be satisfied by the Company at the completion of the acquisition by (i) payment of HK$68,000,000 in cash; and (ii) the issuance by the Company of a convertible bond with a face value of HK$1,432,000,000. This acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and has not been completed as at 31 December 2009 and the date of approval of these financial statements. Further details are set out in the announcement of the Company dated 30 November 2009.

INDEBTEDNESS

At the close of business on 28 February 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had total outstanding borrowings of approximately HK$204,535,000, comprising secured bank loans of approximately HK$147,727,000, secured trust receipt loans, factoring loans and discounted bills of approximately HK$52,332,000, and obligation under finance leases of approximately HK$4,476,000; and unsecured deferred consideration payable of approximately HK$6,775,000. The Enlarged Group also has total outstanding unsecured amounts of HK$5,450,000 due to the ultimate shareholder of certain entities within the Enlarged Group.

The Enlarged Group's certain bank deposits, prepaid lease payments for land and property, plant and equipment with an aggregate carrying value of approximately HK$250,881,000 are pledged to banks to banking facilities granted to the Enlarged Group. Property, plant and equipment of entities within the Enlarged Group with an aggregate carrying value of HK$6,263,000 (before any impairment loss arising from adjustments to fair value less costs to sell) are held under finance leases. Certain secured bank borrowings of the Enlarged Group are also secured by corporate guarantees given by the Company and certain entities in the Enlarged Group.

As at 28 February 2010, the Enlarged Group has capital expenditure contracted for but not provided in the financial statements in respect of acquisition of plant and machinery of HK$10,004,000.

Contingent liabilities-environmental contingencies

To date, the Enlarged Group has not incurred any significant expenditure for environmental remediation, and is currently not involved in any environmental remediation, and has not accrued any further amounts for environmental remediation relating to its operations. Under the existing legislation, management of the Enlarged Group believes that there is no probable liability that will have a material adverse effect on the financial position or operating results of the Enlarged Group and therefore, no provision was made as at 28 February 2010. The Mongolian government, however, has moved, and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Enlarged Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites, including but not limited to, mines and land development areas, whether operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The exact amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislation cannot reasonably be estimated at present, and could be material.

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 28 February 2010, the Enlarged Group did not have any other outstanding indebtedness, loan capital, bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase or finance lease commitments, guarantees or contingent liabilities.

WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Enlarged Group's financial resources, including internally generated funds and presently available credit facilities, the Enlarged Group has sufficient working capital for its present requirements for the next twenty four months from the date of this circular.

PROPERTY VALUATION

Property interests held by the Group as at 28 February 2010 are set forth in Appendix VII to this circular. The table below shows the reconciliation of property interests of the Enlarged Group as at 31 December 2009 to 28 February 2010:

	HKD'000
Net Book Value as at 31 December 2009	**244,542**
Depreciation for the period from 1 January 2010 to 28 February 2010	(2,535)
Net Book Value as at 28 February 2010 (unaudited)	242,007
Net Valuation surplus	58,183
Valuation as at 28 February 2010	300,190

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In respect of the Acquisition, as mentioned under the sections headed "Industry Overview" and "Reasons for the Acquisition" in the letter from the Board, the Board is of the view that investing in the production of copper and the associated gold and silver will be a good opportunity of the Group to take advantage of the rising trend of the prices of these minerals and thus considers that the prospects of this industry is promising.

With reference to the section headed "Investment plan and business model" in the letter from the Board, it is proposed that a mining plant will be set up. The expected initial set-up cost is approximately US$23,000,000, equivalent to approximately HK$178,250,000. Additional set-up cost of approximately US$9,000,000 (equivalent to approximately HK$69,750,000) will be required in the second year. The capital investment on the Mine will be financed, depending on the then circumstances, by way of internal resources, borrowings and/or net proceeds from equity financing activities from time to time.

Overall, the Directors consider that the Acquisition will enable the Enlarged Group to diversify its current business to participate in the mining business, which will broaden the Enlarged Group's income base and improve its financial performance.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE BUSINESS OF THE GROUP

(i) For the six months ended 31 December 2009

Financial Results

The Board announced that for the six months ended 31 December 2009 (the "period under review"), total turnover of the Company and its subsidiaries (the "Group") was approximately HK$827,059,000, an increase of 30.94% over turnover of approximately HK$631,642,000 for the corresponding period last year. During the period under review, the Company continued to rationalise its operations by disposing of part of its overseas businesses, which gave rise to impairment against the relevant business and its goodwill on its consolidated income statement in accordance with HKFRS. Loss attributable to shareholders was approximately HK$232,941,000, and the loss for the corresponding period of last year was approximately HK$217,007,000. Loss per share was approximately HK25.09 cents for the period (2008/09 interim: loss per share HK179.74 cents (restated)).

Business Review

During the period under review, the Group continued to rationalise its operations by focusing and deploying its resources on the businesses of cables and wires and the manufacture and trading of copper products, which are based in Mainland China.

By business segments, turnover of the cables and wires business was approximately HK$187,934,000, a decrease of 42.2% over the corresponding period last year, which accounted for 22.7% of the Group's total turnover. Turnover of the connectors and terminals/wire harnesses business was approximately HK$469,391,000, an increase of 58.4% over the corresponding period last year, which accounted for 56.8% of the Group's total turnover. Turnover of the copper rod business was approximately HK169,702,000, accounting for 20.5% of the Group's turnover.

By geographical segments, turnover of the American business increased by 59.6% over the corresponding period last year to approximately HK$454,636,000, which accounted for 55.0% of the total turnover. Turnover of the Mainland China and Hong Kong business increased by 24.0% over the corresponding period last year to approximately HK$303,655,000, which accounted for 36.7% of the total turnover. Turnover of other Asian markets, decreased by 30.4% over the corresponding period last year to approximately HK$52,103,000, which accounted for 6.3% of the total turnover. Turnover of the European business also decreased by 38.2% over the corresponding period last year to approximately HK$16,665,000, which accounted for 2.0% of the total turnover.

Cables and Wires

Due to the financial tsunami in the United States, the impact of which was also felt worldwide, and the persistent worries over the prospects of global economic recovery has led to more cautious consumption, resulting in slowdown of sales. Accordingly, turnover of the cables and wires business fell as the Group's major customers are primarily manufacturers of white domestic appliances.

Connectors and Terminals/Wire Harnesses

The Group's subsidiaries, other than those based in Mainland China and Hong Kong, are primarily engaged in the connectors and terminals/wire harnesses business. On 31 December 2009, the Group announced that all its equity interests in such related business would be disposed of. It was expected that the Group would have had to inject resources continuously into such business for its operation and development (including significant investments in businesses which are scattered around in different developing countries), had it not been for the disposal. The disposal is currently proceeding and expected to be completed within the first half of 2010.

Copper Rod Business

The copper rod business comprises the manufacture and trading of copper rods and copper wires related products, which are primarily used in the production of supply wires or cables for home appliances, electronic products and infrastructure facilities. During the period under review, as international copper prices continued its upward trend, the Group took more cautious operating approach in strengthening the Group's control over risk of fluctuation in copper prices further by diverting most of the production capacity of its copper rod business in Dongguan to processing, with the fluctuations in finance costs and copper prices being borne by customers.

Subsequent to completion of the asset swap with Hua Yi Group on 4 February 2009, copper rod business became one of the Group's core operations again. During the period under review, turnover of copper rods and related products was approximately HK$169,702,000.

Prospects

Despite some signs of recovery, significant uncertainties remain in the global economic environment. However, the Directors believe that the Mainland China market will continue to offer strong opportunities going forward. Therefore, the Group will continue to focus and deploy its resources on the businesses of cables and wires and the manufacture and trading of copper products, which are based in Mainland China, subsequent to completion of the disposal of the connectors and terminals/wire harnesses business based outside China.

Coupled with the sustained growth in worldwide demand for mineral resources by countries, and the introduction of policies by Mongolia which are beneficial to domestic and overseas investors aimed at accelerating mining development, the Group, on 10 November 2009, has entered into a conditional agreement to acquire a copper-gold-silver mine in Mongolia, at a consideration of HK$1.5 billion (subject to adjustment), of which HK$68 million is to be paid in cash and the balance of HK$1.432 billion payable by the issue of convertible bonds. The acquisition is currently pending completion. The Board considers that the investment in the production of copper will provide an opportunity for the Group to broaden its sources of income by capitalising on the rising trend in copper prices. The acquisition will enable the Group to enter into this burgeoning sector. In recent years, fluctuations in copper price has a material impact on the profitability of the Company, and the production of copper in the mining area can be partially used for hedging purposes and as a raw material for Group's existing copper business, which facilitates the vertical integration of the Company's copper business.

Looking ahead, the Group will actively capitalise on any opportunities in its continual search and expansion of new businesses on the basis its existing businesses in order to diversify the Group's operations and broaden its sources of profit.

Employees and Remuneration Policies

As at 31 December 2009, the Group had approximately 3,500 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 six months ended 31 December 2009, the Group had implemented a prudent financial management policy. As at 31 December 2009, the Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK$176 million (30 June 2009: HK$147 million) and net current assets value of over approximately HK$114 million (30 June 2009: HK$113 million). The Group's gearing ratio as at 31 December 2009 was 0.42 (30 June 2009: 0.31), being a ratio of total bank borrowings of approximately HK$215 million (30 June 2009: HK$197 million) to shareholders' funds of approximately HK$507 million (30 June 2009: HK$626 million).

As at 31 December 2009, the Group had pledged certain properties, plants and machineries, land use rights, fixed bank deposits and trade debtors with an aggregate net book value of approximately HK$276 million (30 June 2009: HK$288 million) to secure general banking facilities granted to the Group.

As at 31 December 2009, the Company had issued guarantees to the extent of approximately HK$158 million (30 June 2009: HK$218 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK$206 million (30 June 2009: HK$267 million) was utilised. In addition, the Company had issued guarantees to a financial institute amounting to approximately HK$ 23.3 million (30 June 2009: HK$39 million) in respect of commodity trading of copper by its subsidiaries.

For the six months ended 31 December 2009, the Group entered into copper forward contracts and foreign exchange forward contracts (collectively referred as "derivative financial instruments") to manage the copper price risks and foreign exchange risks. 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 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 the income statement. The net profit of the derivative financial instruments for the six months ended 31 December 2009 was approximately HK$5,059,000 (2008/09 interim: net loss of HK$1,228,000).

(ii) For the year ended 30 June 2009

Financial Results

For the year ended 30 June 2009 (the "year under review"), the total turnover for the Group was approximately HK$1,136,945,000, representing a decrease of 67.5% from approximately HK$3,493,526,000 for the corresponding period last year. Loss attributable to Shareholders was approximately HK$470,900,000 (2008: profit attributable to Shareholders of approximately HK$19,847,000). The loss per share was approximately HK77.93 cents for the year under review (2007/08 final earnings per share: HK17.48 cents (restated)).

Business Review

The financial crisis resulted in a global economic downturn in 2008. Although a series of measures have been implemented by various countries to remedy the economies, the market was still unable to go back to the right track during the year under review. Undoubtedly, the operating environment and the sales revenue of the Group have been significantly affected. On the other hand, during the year under review, the price of copper, a major raw material, experienced significant fluctuations, resulting in a drop of its monthly average spot price at LME from US$8,260.6 per tonne in June 2008 to US$3,072.0 per tonne in December 2008. The copper price started to rebound in January 2009 and increased to US$5,013.9 per tonne in June. However, since the market confidence had not been restored, there was no apparent growth in sales revenues.

By business segments, the Group's total turnover for the year under review was approximately HK$1,136,945,000. The turnover for the cable and wire business was approximately HK$485,717,000, representing a decrease of 35.5% from the corresponding period last year, which accounted for 42.7% of the Group's total turnover. The turnover for the connectors and terminals/wire harnesses business was approximately HK$521,096,000, representing a decrease of 26.8% from the corresponding period last year, which accounted for 45.8% of the Group's total turnover.

By geographical segments, the turnover for the American business decreased by 34.2% from the corresponding period last year to approximately HK$496,508,000, which accounted for 43.7% of the total turnover. For the Mainland China and Hong Kong business, the decrease dropped 80% from the corresponding period last year to approximately HK$510,361,000, which accounted for 44.9% of the total turnover. As for other Asian markets, the turnover decreased by 42.7% from the corresponding period last year to approximately HK$102,575,000, which accounted for 9.0% of the total turnover. The turnover for the European business also decreased by 49.3% from the corresponding period last year to approximately HK$27,501,000, which accounted for 2.4% of the total turnover.

Cables and Wires

Due to the global economic downturn, consumers shifted to a cautious consumption mode, resulting in a tremendous shrink in the electrical appliances and electronics markets. Although many companies in the industry had been closing owing to the problem of cash flows, the consumer market shrunk at an even faster rate, which had only resulted in an increased competition among the peers in the market. In addition, with the factors such as fixed costs affecting the economic benefits of production, the gross profit decreased to 2.5% for the year under review from 7.0% of the corresponding period last year.

Connectors and Terminals/Wire Harnesses

For Brascabos, the Group's wholly-owned subsidiary in Brazil, despite the continuous rise of the exchange rate of US Dollar against Brazilian Reais, which rose approximately 60% from US$1 to 1.51 Reais in August 2008 to US$1 to 2.40 Brazilian Reais in March 2009, increasing the operating costs, the gross profit margin remained at 17.5% during the corresponding period last year and the year under review.

The gross profit margin of the Group's business in other regions including Malaysia reduced to 12.6% for the year under review from 18% for the corresponding period last year. The decrease was mainly attributable to the influence of the unfavorable global economy, resulting in the decrease of orders from downstream customers, the intensified market competition and high costs, leading to a decline of gross profit.

Results of an Associated Company

The disposal of the entire equity interests of Hua Yi Copper Holdings Limited, an associated company, by the Group was completed on 5 May 2009. The loss from share of results of the associated company was approximately HK$122,246,000.

Copper Rod Business

The copper rod business comprises the manufacture and trading of copper rods and copper wires related products. It also produced copper rod processing services, for the copper rod processing service business, rise in material costs from higher copper prices was borne by customers and had no significant effect on the Group.

Prospects

Despite the profound impacts caused by the financial crisis on the global economy, the economic data of various countries has shown that, signs of recovery seemed to have appeared in the second half of 2009. To cope with this, the Group has also adopted high cost-efficient measures.

Asset Swap

The Group completed the asset swap on 4 February 2009, with the purpose to rationalize of the business of the Group and the Hua Yi Group, in order to optimize the operational efficiency of each group and improve their respective profitability. As to the Hua Yi Group, the transaction would also reduce its working capital requirement.

Upon completion of the transaction, the Group owns and operates the production bases in Dongguan for the manufacture of copper rod products and the manufacture and sales of cables and wires, and the Hua Yi Group owns and operates the production bases in Kunshan and Shanghang for the manufacture of copper cables and the trading of cables and wires. Following the above-mentioned business reorganization by geographical locations, each of the Group and the Hua Yi Group will benefit from the enhancement of operational efficiency cost savings through consolidation under the same management of production facilities located in close proximity to each other. The benefits include savings in costs, where the management has greater flexibility in allocating and mobilizing the available resources, in particular the labor resources, within the same production base; as well as centralizing the banking resources of production bases within the same location and group, to better utilize the external financings. Such measures not only serve to consolidate their respective markets, but also serve to enhance the sourcing and supply structures among the companies through reducing overheads and centralizing management resources.

Newly Constructed Plant

Brazil is one of the leading automobiles manufacturer in the world. Data has shown that the electrical appliances and electronics consumer markets have picked up rapidly. In addition, the winning of the rights to host 2014 World Cup and 2016 Olympic Games will motivate the economy of Brazil. The completion of the construction of the new plant in Manaus, Brazil in January 2009 and the successful consolidation of the plan for production expansion in the trading zone at Manaus, Brazil will not only reduce the operating costs for sales to the local clienteles and enhance the services quality, but also will cope with the opportunities brought by the local market, once recovers, in a more timely manner.

Cost Control

The Group will continue to consolidate its resources, reinforce its cost control, streamline its existing structures and business process and enhance its operational efficiency. By taking a cautious and conservative approach to its material capital investments and expansion, the Group retains its strong capability to weather the storm of the current global economic crisis.

Pursuit to Explore New Clienteles and Products with Higher Profit Margins

In view of the uncertainties in economic environment, electronic products manufacturers are actively identifying suppliers who offer quality services at low costs. Capitalizing on its substantial experiences in the industry over the years, the Group will capture every good opportunity to explore new clienteles. This will, on one hand, offset the impacts of the declining orders from the existing customers, and on the other hand, increase the market share. Moreover, the Group will also strive to develop new products with higher profit margins and align its sales strategies with flexibility to cater the market demands.

Employees and Remuneration Policies

As at 30 June 2009, the Group had approximately 3,500 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 2009, the Group had implemented a prudent financial management policy. As at 30 June 2009, the Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK$147 million (30 June 2008: HK$122 million) and net current assets value being over approximately HK$113 million (30 June 2008: HK$141 million). The Group's gearing ratio as at 30 June 2009 was 0.31 (30 June 2008: 0.17), being a ratio of total bank borrowings of approximately HK$197 million (30 June 2008: HK$180 million) to shareholders' funds of approximately HK$626 million (30 June 2007: HK$1,079 million).

As at 30 June 2009, 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$288 million (30 June 2008: HK$295 million) to secure general banking facilities granted to the Group.

As at 30 June 2009, the Company had issued guarantees to the extent of approximately HK$218 million (30 June 2008: HK$105 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK$267 million (30 June 2008: HK$45 million) was utilised. In addition, the Company had issued guarantees to a financial institute amounting to approximately HK$39 million (30 June 2008: HK$16 million) in respect of commodity trading of copper by its subsidiaries.

For the year ended 30 June 2009, the Group entered into copper forward contracts and foreign exchange forward contracts (collectively referred as "**derivative financial instruments**") to manage the copper price risks and foreign exchange risks. The Group had not engaged in any forward contracts in the period from August 2008 to February 2009. 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 loss of the derivative financial instruments for the year ended 30 June 2009 was approximately HK$140,000 (2007/08: net gain of HK$47,830,000).

A ACCOUNTANTS' REPORT

The following is the text of an accountants' report on the Target Company, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, BDO Limited, Certified Public Accountants.

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9 April 2010

The Board of Directors
Solartech International Holdings Limited

Dear Sirs,

We set out below our report on the financial information of Sun Progress Limited ("Sun Progress") for the period from 15 April 2009 (date of incorporation) to 31 December 2009 (the "Relevant Period") prepared on the basis set out in Note 1 of Section C below, for inclusion in the circular of Solartech International Holdings Limited ("Solartech") dated 9 April 2010 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of Sun Progress (the "Acquisition") by Solartech.

Sun Progress was incorporated in the British Virgin Islands as a limited liability company on 15 April 2009. Sun Progress's registered office is P.O. Box 957, Offshore Incorporates Centre, Road Town, Tortola, British Virgin Islands. The director of Sun Progress considers Winner Progress Limited, a company incorporated in the British Virgin Islands, as the ultimate holding company of Sun Progress during the Relevant Period. During the Relevant Period, Sun Progress was engaged in holding of the entire equity interest in Ikh Shijir Erdene LLC ("ISE"). ISE was engaged in mining and exploration, details of which are set out in Note 5 of Section C below.

No audited financial statements have been prepared for Sun Progress since its incorporation because there is no statutory requirement for Sun Progress to do so.

For the purpose of this report, the director of Sun Progress has prepared the financial statements of Sun Progress for the Relevant Period in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the Relevant Period (the "Underlying Financial Statements") except that no consolidated financial statements were prepared for the Relevant Period in accordance with Hong Kong Accounting Standard No. 27 "Consolidated and Separate Financial Statements" ("HKAS 27") issued by the HKICPA. The financial information and the notes thereto for the Relevant Period (the "Financial Information") have been prepared based on the Underlying Financial Statements. We have, for the purpose of this report, undertaken appropriate audit procedures in respect of the Underlying Financial Statements of Sun Progress in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have not audited any financial statements of Sun Progress in respect of any period subsequent to 31 December 2009.

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

It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you. We examined the Underlying Financial Statements and carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Sun Progress as at 31 December 2009 except for the failure to prepare consolidated financial statements as required under HKAS 27 issued by the HKICPA.

Without qualifying our opinion, we draw attention to the Financial Information which indicates that Sun Progress reported net current liabilities of US$99,999 as at 31 December 2009. This condition indicates the existence of a material uncertainty which may cast significant doubt on Sun Progress's ability to continue as a going concern. The Financial Information has been prepared on a going concern basis, the validity of which depends upon Sun Progress's success in obtaining the ongoing financial support from Mr. Liu Yong, ultimate shareholder of Sun Progress, as set out in Note 3(a) of Section C below.

B FINANCIAL INFORMATION

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

STATEMENT OF COMPREHENSIVE INCOME

	Period from 15 April 2009 (date of incorporation) to 31 December 2009
	US$
Turnover	–
Administrative expenses	–
Profit before taxation	–
Taxation	–
Profit for the period attributable to equity holders of Sun Progress	–

BALANCE SHEET

	Notes	As at 31 December 2009 *US$*
ASSETS AND LIABILITIES		
Non-current asset		
Investment in a subsidiary	*5*	100,000
Current liability		
Amount due to the ultimate shareholder	*6*	99,999
Net current liabilities		(99,999)
Net assets		1
EQUITY		
Share capital	*7*	1

STATEMENTS OF CHANGES IN EQUITY

	Share capital
	US$
	(Note 7)
Share issued since incorporation and as at 31 December 2009	1

CASH FLOW STATEMENT

Cash flow statement has not been presented as Sun Progress does not operate a bank or cash account or hold any cash equivalent and has had no cash transaction during the Relevant Period.

C NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Sun Progress was incorporated in the British Virgin Islands as an exempted company with limited liability and has its registered office at is P.O. Box 957, offshore Incorporates Centre, Road Town, Tortola, British Virgin Islands.

During the Relevant Period, Sun Progress was engaged in holding of the entire equity interest in ISE. ISE was engaged in mining and exploration, details of which are set out in Note 5.

The director of Sun Progress consider Mongolian Tugrik ("MT") as the functional currency of Sun Progress as Sun Progress's principal activity during the Relevant Period is holding of the entire equity interest in ISE. As Sun Progress operates in the British Virgin Islands, the director of Sun Progress considers that it will be more appropriate to adopt United State dollar ("US$") as Sun Progress's presentation currency.

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong.

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

The following new or revised standards that are relevant to Sun Progress have been issued but are not effective for the Relevant Period have not been early adopted.

		Effective date
HKFRSs (Amendments)	Improvements to HKFRSs 2009	*(ii)*
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards	*(i)*
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	*(i)*
HKFRS 3 (Revised)	Business Combinations	*(i)*
HKAS 24 (Revised)	Related Party Disclosures	*(iii)*
HKFRS 9	Financial Instruments	*(iv)*

Effective dates:

(i) Effective for annual periods beginning on or after 1 July 2009

(ii) Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

(iii) Effective for annual periods beginning on or after 1 January 2011

(iv) Effective for annual periods beginning on or after 1 January 2013

Sun Progress is in the process of making an assessment of the impact of these new or revised standards or interpretations in the Relevant Period of their initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and presentation of the Financial Information

The Financial Information has been prepared under the historical cost convention.

The ultimate shareholder of Sun Progress has undertaken that it will provide such financial assistance as is necessary to maintain Sun Progress as a going concern. On that strength of this assurance, the Financial Information has been prepared on the going concern basis.

Non-compliance with HKAS 27 "Consolidated and Separate Financial Statements"

HKAS 27 requires a parent, other than a parent described in paragraph 10 of HKAS 27, to present consolidated financial statements in which it consolidates its investment in subsidiary in accordance with this accounting standard. However, as explained in Note 3(b) below, consolidated financial statements have not been prepared.

(b) Subsidiary

A subsidiary is an entity whose financial and operating policies Sun Progress controls, directly or indirectly, so as to obtain benefits from its activities.

Investment in a subsidiary is included in Sun Progress's balance sheet at cost less any impairment losses. The results of subsidiary are accounted for by Sun Progress on the basis of dividends received and receivable.

Consolidated financial statements have not been prepared for Sun Progress and its subsidiary as the director considers that the preparation of the consolidated financial statements would involve expense or delay out of proportion to the value.

(c) Impairment of assets excluding financial assets

At each balance sheet date, Sun Progress 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 losses (if any). Where it is not possible to estimate the recoverable amount of an individual asset, Sun Progress estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

(d) Financial liabilities and equity instrument issued by Sun Progress

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 Sun Progress after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Equity instruments

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

(ii) Financial liabilities

Financial liabilities, including amount due to a shareholder, are initially measured at fair value, net of transaction costs.

The financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

(iii) Derecognition of financial liabilities

Sun Progress derecognises financial liabilities when, and only when, Sun Progress's obligations are discharged, cancelled or they expire.

(e) Foreign currencies

Foreign currency transactions are translated into Mongolian Tugrik, being the functional currency at the rates of exchange 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 retranslation of monetary items, are recognised as profit or loss in the period they arise. Exchange differences arising on the translation of non-monetary items carried at fair value are included as profit or loss.

For the purposes of presenting the Financial Information, the assets and liabilities of Sun Progress's operations are expressed in United State dollar using exchange rates prevailing at the balance sheet date. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case, the exchange rates at the dates of transactions are used.

(f) 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 Sun Progress where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of Sun Progress or of any entity that is a related party of Sun Progress.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Sun Progress's accounting policies. In the opinion of the director, there is no estimate and assumption that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. INVESTMENT IN A SUBSIDIARY

	As at 31 December 2009 *US$*
Unlisted investment, at cost	100,000

Particulars of Sun Progress's subsidiary as at 31 December 2009 are as follows:–

Name of Company	**Country of incorporation and operation**	**Paid-up registered capital**	**Percentage of equity attributable to the Company**		**Principal activities**
			Direct	**Indirect**	
Ikh Shijir Erdene LLC	The State of Mongolia ("Mongolia")	US$10,000	100	–	Mining and exploration

* *This subsidiary is registered as foreign incorporated company in Mongolia with limited liability.*

6. AMOUNT DUE TO THE ULTIMATE SHAREHOLDER

Amount due for the ultimate shareholder is unsecured, interest-free and has no fixed terms of repayment.

7. SHARE CAPITAL

	Number of shares	Amount
		US$
Authorised:		
Ordinary shares of US$1 each		
At beginning and end of period	50,000	50,000
Issued and fully paid:		
Issue of share on incorporation and at 31 December 2009 *(Note)*	1	1

Note:

Sun Progress was incorporated on 15 April 2009 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. 1 share of US$1 was issued to the subscriber to the memorandum of association at par for the initial capital.

8. CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, Sun Progress may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debts.

The capital structure of Sun Progress consists of equity attributable to shareholder of Sun Progress and amount due to a the ultimate shareholder.

9. FINANCIAL RISK MANAGEMENT

The main risk arising from Sun Progress in the normal course of business is liquidity risk.

This risk is limited by Sun Progress's financial management policies and practices described below:

(a) Liquidity risk

Sun Progress's policy is to ensure that its shareholder will provide the necessary funding to meet its liquidity requirements in the shorter and longer term.

(b) Fair values

All financial instruments are carried at amounts not materially different from their estimated fair values as at 31 December 2009.

10. SUMMARY OF FINANCIAL LIABILITY BY CATEGORY

The carrying amount of Sun Progress's financial liability as recognised at 31 December 2009 may be categorised as follows:

	2009
	US$
Financial liability	
Financial liability measured at amortised cost	99,999

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Sun Progress in respect of any period subsequent to 31 December 2009 and up to the date of this report. No dividend or other distributions has been declared, made or paid by Sun Progress in respect of any period subsequent to 31 December 2009.

Yours faithfully
For and on behalf of
BDO Limited
Certified Public Accountants
Hong Kong

Lam Siu Fung
Practising Certificate number: P05308

A ACCOUNTANTS' REPORT

The following is the text of an accountants' report on ISE, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, BDO Limited, Certified Public Accountants.

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永安中心25樓

9 April 2010

The Board of Directors
Solartech International Holdings Limited

Dear Sirs,

We set out below our report on the financial information of Ikh Shijir Erdene LLC ("ISE") for the period from 21 April 2008 (date of incorporation) to 31 December 2008 and the year ended 31 December 2009 (the "Relevant Periods") prepared on the basis set out in Note 1 of Section C below, for inclusion in the circular of Solartech International Holdings Limited ("Solartech") dated 9 April 2010 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of Sun Progress Limited, the immediate holding company of ISE as at 31 December 2009 (the "Acquisition") by Solartech.

ISE was incorporated in the State of Mongolia as a limited liability company on 21 April 2008. ISE's registered office and its principal place of business is Ulaanbaatar City, Sukhbaatar District, 16-bureau, Street Belkh, 33-6-07, State of Mongolia. The director of ISE considers Winner Progress Limited, a company incorporated in the British Virgin Islands, as the ultimate holding company of ISE during the Relevant Periods. During the Relevant Periods, ISE was engaged in mining and exploration.

No audited financial statements have been prepared for ISE since its incorporation because there is no statutory requirement for ISE to do so.

For the purpose of this report, the director of ISE has prepared the individual financial statements of ISE for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the Relevant Periods (the "Underlying Financial Statements"). The financial information and the notes thereto for the Relevant Periods (the "Financial Information") have been prepared based on the Underlying Financial Statements. We have, for the purpose of this report, undertaken appropriate audit procedures in respect of the Underlying Financial Statements of ISE in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have not audited any financial statements of ISE in respect of any period subsequent to 31 December 2009.

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

It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you. We examined the Underlying Financial Statements and carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA.

Without qualifying our opinion, we draw attention to the Financial Information which indicates that ISE reported net current liabilities of MT$856,240,000 as at 31 December 2009. This condition indicates the existence of a material uncertainty which may cast significant doubt on ISE's ability to continue as a going concern. The Financial Information has been prepared on a going concern basis, the validity of which depends upon ISE's success in obtaining the ongoing financial support from Mr. Liu Yong, the ultimate shareholder of ISE as set out in Note 3(a) of Section C below.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of ISE as at 31 December 2008, 2009 and of the results of ISE for the Relevant Periods.

B FINANCIAL INFORMATION OF ISE

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

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Period from 21 April 2008 (date of incorporation) to 31 December 2008	Year ended 31 December 2009
		MT$'000	*MT$'000*
Administrative expenses		–	55,005
Loss before taxation	*5*	–	(55,005)
Taxation	*6*	–	–
Loss for the period/year attributable to equity holders of ISE		–	(55,005)

BALANCE SHEETS

	Notes	As at 31 December 2008 MT$'000	2009 MT$'000
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets	*7*	–	944,235
Current asset			
Amount due from the ultimate shareholder	*9(a)*	1,000	–
Current liability			
Amount due to the ultimate shareholder	*9(a)*	–	856,240
Net current assets/(liabilities)		1,000	(856,240)
Net assets		1,000	87,995
EQUITY			
Issued capital	*8*	1,000	143,000
Accumulated losses		–	(55,005)
Total equity attributable to the equity holder of ISE		1,000	87,995

STATEMENTS OF CHANGES IN EQUITY

	Issued capital/paid up capital	Accumulated losses	Total
	MT$'000	*MT$'000*	*MT$'000*
	(Note 8)		
Issue of shares and at 31 December 2008	1,000	–	1,000
Capital injection	142,000	–	142,000
Loss and total comprehensive income for the year	–	(55,005)	(55,005)
At 31 December 2009	143,000	(55,005)	87,995

CASH FLOW STATEMENT

Cash flow statement has not been presented as the ISE does not operate a bank or cash account or hold any cash equivalent and has had no cash transaction during the Relevant Periods.

C NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

ISE was incorporated in the State of Mongolia ("Mongolia") with limited liability. ISE was engaged in mining and exploration during the Relevant Periods.

The Financial Information is presented in Mongolian Tugrik and all values are rounded to the nearest thousand ("MT$'000") except when otherwise indicated, which is the functional currency of ISE.

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong.

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

The following new or revised standards that are relevant to ISE have been issued but are not effective for the Relevant Periods have not been early adopted.

		Effective date
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs	*(i)*
HKFRSs (Amendments)	Improvements to HKFRSs 2009	*(ii)*
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards	*(i)*
HKAS 24 (Revised)	Related Party Disclosures	*(iii)*
HKFRS 9	Financial Instruments	*(iv)*

Effective dates:

(i) Effective for annual periods beginning on or after 1 July 2009

(ii) Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

(iii) Effective for annual periods beginning on or after 1 January 2011

(iv) Effective for annual periods beginning on or after 1 January 2013

ISE is in the process of making an assessment of the impact of these new or revised standards or interpretations in the period of their initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and presentation of the Financial Information

The Financial Information has been prepared under the historical cost convention.

The ultimate shareholder of ISE has undertaken that it will undertake not to demand for ISE to repay the amount due thereto of MT$856,240,000 as at 31 December 2009 until ISE is financially capable to do so. On that strength of this assurance, the Financial Information has been prepared on the going concern basis.

(b) Exploration and evaluation assets

Exploration and evaluation assets comprise costs which are directly attributable to: researching and analysing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation assets also include the costs incurred in acquiring mining rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation costs are expensed as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalised as exploration and evaluation assets and not amortised, and transferred to mining rights if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the income statement. Exploration and evaluation assets are stated at cost less impairment losses, if any.

(c) Mining right

Mining right is stated at cost less accumulated amortisation and any impairment loss and is amortised on the straight-line method over 30 years. Amortisation is provided to write off the cost of the mining right using straight line method over the remaining terms of the mining right.

(d) Impairment of assets

At each balance sheet date, ISE 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). Where it is not possible to estimate the recoverable amount of an individual asset, ISE estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

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

(e) Financial liabilities and equity instrument issued by ISE

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 ISE after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Equity instruments

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

(ii) Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs.

The financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

(iii) Derecognition of financial liabilities

ISE derecognises financial liabilities when, and only when, ISE's obligations are discharged, cancelled or they expire.

(f) Provisions

Provision is recognised when ISE has a present obligation (legal or constructive) as a result of a past event, it is probable that ISE 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.

Provision for close down, restoration and environmental costs

One consequence of mining is land subsidence caused by the resettlement of the land at the mining sites. Depending on the circumstances, ISE may relocate inhabitants from the mining sites prior to conducting mining activities or ISE may compensate the inhabitants for losses or damage from close down and land subsidence after the sites have been mined. ISE may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the sites have been mined.

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during mine development or during the production phase, based on the net present value of estimated future costs. The cost is capitalised where it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of close down. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision is included in borrowing costs. Where there is a change in the expected decommissioning and restoration costs, an adjustment is recorded against the carrying value of the provision and related assets, and the effect is then recognised in the income statement on a prospective basis over the remaining life of the operation. Provision for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The cost estimates are reviewed and revised at each balance sheet date to reflect changes in conditions.

(g) Taxation

Income tax expense represents the sum of the current and deferred tax.

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which ISE expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

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 ISE intends to settle its current tax assets and liabilities on a net basis.

(h) Foreign currencies

Transactions in currencies other than ISE's function currency ("foreign currencies") are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

Exchange differences are recognised in profit or loss in the period in which they arise.

(i) 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 ISE where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of ISE or of any entity that is a related party of ISE.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying ISE's accounting policies. In the opinion of the director, the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Reserve estimates

Reserves are estimates of the amount of products that can be economically and legally extracted from ISE's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand and commodity prices.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgments and calculations to interpret the data.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect ISE's financial results and financial position in a number of ways, including the following:

(i) Asset carrying values may be affected due to changes in estimated future cash flows.

(ii) Depreciation, depletion and amortisation charged in profit or loss may change where such charges are determined by the useful economic lives of assets change.

(iii) Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

(b) Provision for close down, restoration and environmental costs

The provision for close down, restoration and environmental costs is determined by management based on their past experience and best estimation of future expenditure, after taking into account existing relevant Mongolian regulations.

However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future years, the estimate of the associated costs may be subject to revision from time to time.

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following:

	Period from 21 April 2008 (date of incorporation) to 31 December 2008 *MT$'000*	Year ended 31 December 2009 *MT$'000*
Director's remuneration	–	–
Auditors' remuneration	–	–
Amortisation of mining right	–	5,275
Staff costs (excluding director's remuneration)	–	–

6. TAXATION

No provision of taxation for Mongolia has been made, since ISE has no assessable profits generated during each of the Relevant Periods.

Taxation for the period/year can be reconciled to the loss before taxation per the statement of comprehensive income as follows:

	Period from 21 April 2008 (date of incorporation) to 31 December 2008 *MT$'000*	Year ended 31 December 2009 *MT$'000*
Loss before taxation	–	(55,005)
Taxation at the Mongolian profits tax rate of 10% (2008: 10%)	–	(5,500)
Tax effect on expenses not deductible for tax purpose	–	5,500
Tax for the period/year	–	–

The Government of Mongolia and the Government of People's Republic of China has signed the Agreement for the Avoidance of Double Taxes on income. If ISE exports and sells its mining products in China, gains from the sale of the mining products shall be taxed only in Mongolia, Taxation Agreement, Article 13.6.

The income from the sale of minerals is subject to enterprise income tax. The income tax rate is 10% if annual taxable income is between 0 and 3 billion Mongolian Tugrik. If the annual taxable income exceeds 3 billion Mongolian Tugrik, the tax rate shall be 300 million Mongolian Tugrik plus 25% of income exceeding 3 billion Mongolian Tugrik, Law on Legal Entity's Income Tax, Article, 17.1.

At 31 December 2008 and 2009, ISE has unused tax losses of MT$Nil and MT$55,005,000 available for offset against future profits respectively. No deferred tax asset has been recognised in respect of the above amounts as at 31 December 2008 and 2009 due to the unpredictability of future profit streams. Such loss may be carried forward indefinitely. ISE had no significant unprovided deferred tax at each balance sheet date of the Relevant Periods.

7. INTANGIBLE ASSETS

	Exploration and evaluation assets *MT$'000*	Mining right *MT$'000*	Total *MT$'000*
Cost:			
At 1 January 2009	–	–	–
Additions *(Note)*	949,510	–	949,510
Transfer *(Note)*	(949,510)	949,510	–
At 31 December 2009	–	949,510	949,510
Accumulated amortisation and impairment:			
At 1 January 2009	–	–	–
Charge for the year	–	5,275	5,275
At 31 December 2009	–	5,275	5,275
Net carrying value:			
At 31 December 2009	–	944,235	944,235
At 31 December 2008	–	–	–

Note: On 8 December 2008, an exploration right license was granted by Mineral Resources Authority of Mongolia to ISE to explore at Nergui of Delgerkhangai soum in Dundgobi aimag, Mongolia. Before obtaining the mining right license in the above location, ISE incurred exploration and evaluation expenditures which are recognised as exploration and evaluation assets. Exploration and evaluation assets are stated at cost less impairment losses, if any. On 24 November 2009, a mining right license was granted by Mineral Resources Authority of Mongolia to ISE, and at the same date, such related exploration and evaluation assets were transferred to mining right of ISE.

Amortisation is provided to write off the cost of the mining right using straight line method over the remaining terms of the mining right.

The mining right of ISE has its expiry date on 23 November 2039 at Nergui, Delgerkhangai soum, Dundgobi aimag, Mongolia. It is extendable by 2 successive 20 years each.

8. ISSUED CAPITAL

	Number of issued shares 2008	Issued share capital 2008 *MT$'000*
Authorised, issued and fully paid		
100 shares of MT$10,000 each *(Note (i))*	100	1,000

	Number of issued shares 2009	Issued share capital 2009 *MT$'000*
Paid up capital:		
Capital contribution *(Note (ii))*	1	143,000

Notes:

(i) ISE was incorporated on 21 April 2008 with an authorised share capital of MT$1,000,000 divided into 100 shares of MT$10,000 each and were issued to the subscriber according to its memorandum of association at par for cash to provide the initial capital.

(ii) On 31 August 2009, the former shareholder of ISE transferred its entire ownership to Sun Progress Limited, a company incorporated in the British Virgin Islands. Accordingly ISE became a foreign-owned incorporated company in Mongolia. At the same time, the share capital of ISE was increased from MT$1,000,000 to MT$143,000,000 (equivalent to US$100,000) with the number of paid up capital reduced from 100 shares to 1 share. Such share was issued and fully paid up by Sun Progress Limited as at 31 December 2009.

9. RELATED PARTY TRANSACTIONS

(a) Amount due from the ultimate shareholder and amount due to the ultimate shareholder are unsecured, interest-free and have no fixed terms of repayment.

(b) The key management comprises the director only who did not receive any remuneration during the Relevant Periods, details of his remuneration are disclosed in Note 5.

10. CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, ISE may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debts.

The capital structure of ISE consists of equity attributable to equity holder of ISE only.

11. FINANCIAL RISK MANAGEMENT

The main risk arising from ISE's financial instruments in the normal course of ISE's business is liquidity risk.

This risk is limited by ISE's financial management policies and practices described below:

(a) Liquidity risk

ISE's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term, including obtaining ongoing financial supports from related parties.

(b) Fair values

All financial instruments are carried at amounts not materially different from their estimated fair values as at 31 December 2008 and 2009.

12. CONTINGENT LIABILITIES

Environmental contingencies

To date, ISE has not incurred any significant expenditure for environmental remediation, and is currently not involved in any environmental remediation, and has not accrued any further amounts for environmental remediation relating to its operations. Under the existing legislation, management believes that there is no probable liability that will have a material adverse effect on the financial position or operating results of ISE and therefore, no provision was made as at 31 December 2008 and 2009. The Mongolian government, however, has moved, and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect ISE's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites, including but not limited to, mines and land development areas, whether operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The exact amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislation cannot reasonably be estimated at present, and could be material.

13. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the ISE's financial assets and financial liabilities as recognised at 31 December 2008 and 2009 may be categorised as follows:

	2008	**2009**
	MT$'000	*MT$'000*
Financial assets		
Receivable measured at amortised cost	1,000	–
Financial liabilities		
Financial liabilities measured at amortised cost	–	856,240

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by ISE in respect of any period subsequent to 31 December 2009 and up to the date of this report. No dividend or other distributions has been declared, made or paid by ISE in respect of any period subsequent to 31 December 2009.

Yours faithfully
For and on behalf of
BDO Limited
Certified Public Accountants
Hong Kong

Lam Siu Fung
Practising Certificate number: P05308

Set out below is the management discussion and analysis on the Target Company and ISE:

Target Company

The Target Company was incorporated on 15 April 2009. Accordingly, the financial statements were prepared for the period from 15 April 2009 (date of incorporation) to 31 December 2009 (the "**Relevant Period**"). During the Relevant Period, the Target Company was engaged in holding of the entire equity interest of ISE.

Business Review

The Target Company has not been involved in any significant business transaction during the Relevant Period. All of its expenses were met by its shareholder. Accordingly, no statement of comprehensive income and cash flow statement are presented. The Target Company has not prepared consolidated financial statements as the director of the Target Company considered that the preparation of the consolidated financial statements would involve expense or delay out of proportion to the value.

Liquidity and Financial Resources

As at 31 December 2009, the amount of investment in a subsidiary was US$100,000 which was financed by the amount due to a shareholder of US$99,999 and share capital of US$1. The amount due to a shareholder is unsecured, interest-free and has no fixed terms of repayment.

Capital Risk Management

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

In order to maintain or adjust the capital structure, the Target Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debts.

The capital structure of the Target Company consists of equity attributable to shareholder and amount due to a shareholder.

Financial Risk Management

The main risk arising from the Target Company in the normal course of business is liquidity risk. This risk is limited by its financial management policies and practices described below:

(a) *Liquidity risk*

Its policy is to ensure that its shareholder will provide the necessary funding to meet its liquidity requirements in the shorter and longer term.

(b) *Fair values*

All financial instruments are carried at amounts not materially different from their estimated fair values as at 31 December 2009.

ISE

ISE was incorporated on 21 April 2008. The financial statements were prepared for the period from 21 April 2008 (date of incorporation) to 31 December 2008 and the year ended 31 December 2009 (the "**Relevant Periods**"). During the Relevant Periods, ISE was engaged in mining and exploration.

Business Review

ISE has not been involved in any significant business transaction during the period from 21 April 2008 (date of incorporation) to 31 December 2008. For the year ended 31 December 2009, ISE did not have any revenue and incurred administrative expenses of approximately MT$1.0 million. The key management comprises the director only who did not receive any remuneration during the Relevant Periods. As a result, ISE reported loss for the year of approximately MT$1.0 million.

Liquidity and Financial Resources

As at 31 December 2008, ISE had an amount due from a shareholder and issued capital of MT$1.0 million respectively. The amount due from a shareholder was unsecured, interest-free and had no fixed terms of repayment.

On 31 August 2009, the former shareholder of ISE transferred its entire ownership to the Target Company. At the same time, the share capital of ISE was increased from MT$1,000,000 to MT$143,000,000 (equivalent to US$100,000) with the number of paid up capital reduced from 100 shares to 1 share. Such share capital was issued and fully paid up by the Target Company as at 31 December 2009.

As at 31 December 2009, ISE has an amount due to a director of approximately MT$856.2 million which was unsecured, interest-free and had no fixed terms of repayment.

Capital Risk Management

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

In order to maintain or adjust the capital structure, ISE may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debts.

The capital structure of ISE consists of equity attributable to equity holder of ISE and amount due to a shareholder.

Financial Risk Management

The main risks arising from ISE's financial instruments in the normal course of ISE's business is liquidity risk.

This risk is limited by ISE's financial management policies and practices described below:

(a) Liquidity risk

ISE's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term, including obtaining ongoing financial supports from related parties.

(b) Fair values

All financial instruments are carried at amounts not materially different from their estimated fair values as at 31 December 2008 and 2009.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying illustrative and unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information"), including the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows, has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition of 100% equity interest in Sun Progress Limited ("Sun Progress") and its wholly-owned subsidiary, Ikh Shijir Erdene LLC ("ISE") (the "Acquisition") by Solartech International Holdings Limited (the "Company") as if the Acquisition had been taken place on 31 December 2009 for the unaudited pro forma consolidated statement of financial position, and on 1 July 2008 for the unaudited pro forma consolidated income statement and unaudited pro forma consolidated statement of cash flows. The Company and its subsidiaries are collectively referred to as the Group. The Group together with Sun Progress and ISE are collectively referred to as the Enlarged Group.

The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes. Accordingly, as a result of the uncertain nature of the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group, it may not give a true picture of the actual financial position or results of the Enlarged Group's operations that would have been attained had the Acquisition actually occurred on the dates indicated herein. Further, the accompanying Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future financial position or results of operations.

(I) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

The unaudited pro forma consolidated statement of financial position is based on the audited consolidated statement of financial position of the Group as at 31 December 2009 which has been extracted from financial information of the Group as set out in Appendix I and the audited statements of financial position of Sun Progress and ISE as at 31 December 2009 as set out in Appendices IIA and IIB to this circular, respectively, and adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated statement of financial position of the Enlarged Group was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at the date to which it is made up to or at any future date.

	The Group as at 31 December 2009	Sun Progress as at 31 December 2009	Sun Progress as at 31 December 2009	ISE as at 31 December 2009	ISE as at 31 December 2009	Combined total as at 31 December 2009	Pro forma adjustments	Notes	The Enlarged Group as at 31 December 2009
	HK$'000	*US$*	*HK$'000*	*MT$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
		(Note 1)	*(Note 1)*	*(Note 1)*	*(Note 1)*				
ASSETS AND LIABILITIES									
Non-current assets									
Property, plant and equipment	310,229	–	–	–	–	310,229			310,229
Investment in a subsidiary	–	100,000	780	–	–	780	(780)	4	–
Prepayments for acquisition of property, plant and equipment	1,600	–	–	–	–	1,600			1,600
Prepaid lease payments for land	96,794	–	–	–	–	96,794			96,794
Intangible assets	–	–	–	944,235	5,150	5,150	1,500,000	2	1,510,650
							5,500	5	
Interests in associates	9,429	–	–	–	–	9,429			9,429
Total non-current assets	418,052	100,000	780	944,235	5,150	423,982			1,928,702
Current assets									
Inventories	115,411	–	–	–	–	115,411			115,411
Debtors, other loans and receivables, deposits and prepayments	133,118	–	–	–	–	133,118			133,118
Bills receivable	18,117	–	–	–	–	18,117			18,117
Prepaid lease payments for land	2,602	–	–	–	–	2,602			2,602
Derivative financial assets	788	–	–	–	–	788			788
Tax recoverable	465	–	–	–	–	465			465
Pledged deposits and bank balances	45,104	–	–	–	–	45,104			45,104
Bank balances and cash	130,703	–	–	–	–	130,703	(68,000)	2	62,703
	446,308	–	–	–	–	446,308			378,308
Assets classified as held for sale	162,931	–	–	–	–	162,931			162,931
Total current assets	609,239	–	–	–	–	609,239			541,239
Current liabilities									
Creditors, other advances and accrued charges	53,782	–	–	–	–	53,782	5,500	5	59,282
Bills payable	84,100	–	–	–	–	84,100			84,100
Amount due to the ultimate shareholder	–	99,999	780	856,240	4,670	5,450			5,450
Taxation	327	–	–	–	–	327			327
Obligations under finance leases	860	–	–	–	–	860			860
Borrowings	214,314	–	–	–	–	214,314			214,314
Derivative financial liabilities	6,750	–	–	–	–	6,750			6,750
	360,133	99,999	780	856,240	4,670	365,583			371,083
Liabilities associated with assets classified as held for sale	134,931	–	–	–	–	134,931			134,931
Total current liabilities	495,064	99,999	780	856,240	4,670	500,514			506,014
Net current assets/(liabilities)	114,175	(99,999)	(780)	(856,240)	(4,670)	108,725			35,225
Total assets less current liabilities	532,227	1	–	87,995	480	532,707			1,963,927
Non-current liabilities									
Convertible bond	–	–	–	–	–	–	1,432,000	3(i)	1,432,000
Deferred tax liabilities	25,030	–	–	–	–	25,030			25,030
Total non-current liabilities	25,030	–	–	–	–	25,030			1,457,030
Total net assets	507,197	1	–	87,995	480	507,677			506,897

	The Group as at 31 December 2009	Sun Progress as at 31 December 2009	Sun Progress as at 31 December 2009	ISE as at 31 December 2009	ISE as at 31 December 2009	Combined total as at 31 December 2009	Pro forma adjustments		The Enlarged Group as at 31 December 2009
	HK$'000	*US$*	*HK$'000*	*MT$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
		(Note 1)	*(Note 1)*	*(Note 1)*	*(Note 1)*				
EQUITY									
Capital and reserves									
Share capital	13,124	1	–	143,000	780	13,904	(780)	4	13,124
Reserves	479,736	–	–	(55,005)	(300)	479,436			479,436
Reserves of disposal group classified as held for sale	13,837	–	–	–	–	13,837			13,837
Total equity attributable to owners of the Company	506,697	1	–	87,995	480	507,177			506,397
Non-controlling interests	500	–	–	–	–	500			500
Total equity	507,197	1	–	87,995	480	507,677			506,897

(II) UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP

The unaudited pro forma consolidated income statement is based on the audited consolidated income statement of the Group for the year ended 30 June 2009 which has been extracted from the financial information of the Group as set out in Appendix I, the audited income statement of Sun Progress for the period from 15 April 2009 (date of incorporation) to 31 December 2009 and the audited income statement of ISE for the year ended 31 December 2009 as set out in Appendices IIA and IIB to this circular, respectively, and adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated income statement of the Enlarged Group was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of operation of the Enlarged Group for the year/period ended to which it is made up to or for any future period.

	The Group for the year ended 30 June 2009 HK$'000	Sun Progress for the period ended 31 December 2009 US$ (Note 1)	Sun Progress for the period ended 31 December 2009 HK$'000 (Note 1)	ISE for the year ended 31 December 2009 MT$'000 (Note 1)	ISE for the year ended 31 December 2009 HK$'000 (Note 1)	Combined total for the year ended 30 June 2009 HK$'000	Pro forma adjustment HK$'000	Note	The Enlarged Group for the year ended 30 June 2009 HK$'000
Turnover	1,136,945	–	–	–	–	1,136,945			1,136,945
Cost of sales	(1,066,956)	–	–	–	–	(1,066,956)			(1,066,956)
Gross profit	69,989	–	–	–	–	69,989			69,989
Interest income	5,839	–	–	–	–	5,839			5,839
Other income	28,508	–	–	–	–	28,508			28,508
General and administrative expenses	(142,055)	–	–	(55,005)	(300)	(142,355)			(142,355)
Selling and distribution expenses	(24,041)	–	–	–	–	(24,041)			(24,041)
Change in fair value of derivative financial instruments	(140)	–	–	–	–	(140)			(140)
Allowance for doubtful debts	(11,175)	–	–	–	–	(11,175)			(11,175)
Impairment loss on a loan receivable	(44,960)	–	–	–	–	(44,960)			(44,960)
Impairment loss on property, plant and equipment	(62,102)	–	–	–	–	(62,102)			(62,102)
Finance costs	(20,193)	–	–	–	–	(20,193)	(18,352)	3(ii)	(38,545)
Share of results of associates	(122,246)	–	–	–	–	(122,246)			(122,246)
Loss on deemed disposal of a listed associate	(54,595)	–	–	–	–	(54,595)			(54,595)
Loss on disposal of a listed associate	(89,736)	–	–	–	–	(89,736)			(89,736)
Discount on acquisition of additional interest in a subsidiary	1,971	–	–	–	–	1,971			1,971
Gain on asset swap	14,322	–	–	–	–	14,322			14,322
Loss before taxation	(450,614)	–	–	(55,005)	(300)	(450,914)			(469,266)
Taxation	(20,391)	–	–	–	–	(20,391)			(20,391)
Loss for the year/period	(471,005)	–	–	(55,005)	(300)	(471,305)			(489,657)

(III) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

The unaudited pro forma consolidated statement of cash flows is based on the audited consolidated statement of cash flows of the Group for the year ended 30 June 2009 which has been extracted from the financial information of the Group as set out in Appendix I, the audited statement of cash flows of Sun Progress for the period from 15 April 2009 (date of incorporation) to 31 December 2009 and the audited statement of cash flows of ISE for the year ended 31 December 2009 as set out in Appendices IIA and IIB to this circular where applicable, respectively, and adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated statement of cash flows of the Enlarged Group was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group for the year/period ended to which it is made up to or for any future period.

	The Group for the year ended 30 June 2009	Sun Progress for the period ended 31 December 2009	Sun Progress for the period ended 31 December 2009	ISE for the year ended 31 December 2009	ISE for the year ended 31 December 2009	Combined total for the year ended 30 June 2009	Pro forma adjustment		The Enlarged Group for the year ended 30 June 2009
	HK$'000	*US$*	*HK$'000*	*MT$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
		(Note 1)	*(Note 1)*	*(Note 1)*	*(Note 1)*				
Operating activities									
Loss before taxation	(450,614)	–	–	(55,005)	(300)	(450,914)	(18,352)	3(ii)	(469,266)
Adjustments for:									
Equity-settled share-based payments	1,334	–	–	–	–	1,334			1,334
Loss on disposal of property, plant and equipment	5,484	–	–	–	–	5,484			5,484
Loss on disposal of a listed associate	89,736	–	–	–	–	89,736			89,736
Loss on deemed disposal of a listed associate/subsidiary	54,595	–	–	–	–	54,595			54,595
Depreciation of property, plant and equipment	53,360	–	–	–	–	53,360			53,360
Charge of prepaid lease payments for land	1,846	–	–	–	–	1,846			1,846
Change in fair value of derivative financial instruments	140	–	–	–	–	140			140
Write-back of inventories	(2,605)	–	–	–	–	(2,605)			(2,605)
Allowance for doubtful debts	11,175	–	–	–	–	11,175			11,175
Share of results of associates	122,246	–	–	–	–	122,246			122,246
Gain on asset swap	(14,322)	–	–	–	–	(14,322)			(14,322)
Discount on acquisition of additional interest in a subsidiary	(1,971)	–	–	–	–	(1,971)			(1,971)
Impairment loss on a loan receivable	44,960	–	–	–	–	44,960			44,960
Interest income	(5,839)	–	–	–	–	(5,839)			(5,839)
Impairment loss on property, plant and equipment	62,102	–	–	–	–	62,102			62,102
Finance costs	20,193	–	–	–	–	20,193	18,352	3(ii)	38,545
Operating cash flows before working capital changes	(8,180)	–	–	(55,005)	(300)	(8,480)			(8,480)
Decrease in inventories	99,792	–	–	–	–	99,792			99,792
Decrease in debtors, other loans and receivables, deposits and prepayments	205,361	–	–	–	–	205,361			205,361
Decrease in bills receivable	29,736	–	–	–	–	29,736			29,736
Decrease in creditors, other advances and accrued charges	(71,662)	–	–	–	–	(71,662)			(71,662)
Increase in bills payable	19,531	–	–	–	–	19,531			19,531
Increase in derivative financial instruments	(7,143)	–	–	–	–	(7,143)			(7,143)
Increase in amount due to a shareholder	–	99,999	780	856,240	4,670	5,450			5,450
Decrease in amount due to an associate	(162,113)	–	–	–	–	(162,113)			(162,113)

	The Group for the year ended 30 June 2009	Sun Progress for the period ended 31 December 2009	Sun Progress for the period ended 31 December 2009	ISE for the year ended 31 December 2009	ISE for the year ended 31 December 2009	Combined total for the year ended 30 June 2009	Pro forma adjustment		The Enlarged Group for the year ended 30 June 2009
	HK$'000	*US$*	*HK$'000*	*MT$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
		(Note 1)	*(Note 1)*	*(Note 1)*	*(Note 1)*				
Cash used in operations	105,322	99,999	780	801,235	4,370	110,472			110,472
Taxation in other jurisdictions paid	(18,028)	–	–	–	–	(18,028)			(18,028)
Net cash generated from operating activities	87,294	99,999	780	801,235	4,370	92,444			92,444
Investing activities									
Interest received	5,286	–	–	–	–	5,286			5,286
Purchases of property, plant and equipment	(36,704)	–	–	–	–	(36,704)			(36,704)
Acquisition of a subsidiary	–	(100,000)	(780)	–	–	(780)	(68,000)	2	(74,280)
							(5,500)	5	
Proceeds from disposal of property, plant and equipment	2,069	–	–	–	–	2,069			2,069
Net proceeds from disposal of a listed associate	23,760	–	–	–	–	23,760			23,760
Direct cost paid for disposal of subsidiaries	(3,506)	–	–	–	–	(3,506)			(3,506)
Purchase of intangible assets	–	–	–	(944,235)	(5,150)	(5,150)			(5,150)
Net cash inflow in asset swap	62,682	–	–	–	–	62,682			62,682
Payment of deferred consideration	(6,825)	–	–	–	–	(6,825)			(6,825)
Net cash generated from/(used in) investing activities	46,762	(100,000)	(780)	(944,235)	(5,150)	40,832			(32,668)
Financing activities									
Interest paid on borrowings	(19,929)	–	–	–	–	(19,929)			(19,929)
Interest paid on finance leases	(264)	–	–	–	–	(264)			(264)
Proceeds from open offer of shares	59,989	–	–	–	–	59,989			59,989
Proceeds from placement of shares	7,669	–	–	–	–	7,669			7,669
Proceeds received from exercise of share options	2,384	–	–	–	–	2,384			2,384
New borrowing raised	270,772	–	–	–	–	270,772			270,772
Decrease in pledged deposits and bank balances	16,034	–	–	–	–	16,034			16,034
Issue of share capital	–	1	–	143,000	780	780			780
Repayment of obligations under finance leases	(4,504)	–	–	–	–	(4,504)			(4,504)
Repayment of borrowings	(431,284)	–	–	–	–	(431,284)			(431,284)
Net cash generated from/(used in) financing activities	(99,133)	1	–	143,000	780	(98,353)			(98,353)

	The Group for the year ended 30 June 2009	Sun Progress for the period ended 31 December 2009	Sun Progress for the period ended 31 December 2009	ISE for the year ended 31 December 2009	ISE for the year ended 31 December 2009	Combined total for the year ended 30 June 2009	Pro forma adjustment		The Enlarged Group for the year ended 30 June 2009
	HK$'000	*US$*	*HK$'000*	*MT$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
		(Note 1)	*(Note 1)*	*(Note 1)*	*(Note 1)*				
Net increase/(decrease) in cash and cash equivalents	34,923	–	–	–	–	34,923			(38,577)
Cash and cash equivalents at beginning of year	80,204	–	–	–	–	80,204			80,204
Effect of foreign exchange rate changes	(16,685)	–	–	–	–	(16,685)			(16,685)
Cash and cash equivalents at end of year/period	98,442	–	–	–	–	98,442			24,942
Analysis of the balances of cash and cash equivalents							(68,000)	2	
Bank balances and cash	98,442	–	–	–	–	98,442	(5,500)	5	24,942

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The balances are extracted from the audited financial information of Sun Progress and ISE for the year/period ended 31 December 2009 for the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows as set out in Appendices IIA and IIB to this circular, respectively, and are translated from their presentation currencies, from United States Dollars ("US$") and Mongolian Tugrik, which are rounded to thousands, ("MT$'000"), using the exchange rate of US$1.0000 to HK$7.8000 and MT$1.00000 to HK$0.00545, respectively.

2. The Acquisition is to be accounted for as acquisition of assets and liabilities as the equity interests in Sun Progress and ISE proposed to be acquired do not constitute a business. The current principal asset of Sun Progress and ISE is mining right. In this regard, the initial measurement of identifiable assets and liabilities acquired in the Acquisition would be the allocation of consideration based on their relative fair values.

   The total consideration of the Acquisition is HK$1,500,000,000 which is to be satisfied by:

   (i) HK$68,000,000 in cash; and

   (ii) HK$1,432,000,000 by the issuance of the convertible bond by the Company (the "Convertible Bond"), which is also the fair value of the Convertible Bond upon issuance as further detailed in Note 3 below.

   The Convertible Bond bears zero coupon interest and has a maturity date in the third anniversary of the date of issuance of the Convertible Bond. The conversion price is HK$0.15 per conversion share and an aggregate of 9,546,666,667 shares will be issued upon full conversion (subject to adjustments in accordance with the terms of the Convertible Bond).

   In the opinion of the directors of the Company, for the purpose of the unaudited pro forma consolidated statement of financial position, the total consideration of HK$1,500,000,000 is allocated to the mining right, on the basis that other identifiable assets and liabilities of Sun Progress and ISE are equal to their respective carrying amounts.

3. The adjustments represent the recognition of the Convertible Bond. In accordance with Hong Kong Accounting Standard 32 "Financial Instrument: Presentation", convertible bond issued by the Company for which settlement is preliminarily considered not in fixed number of equity instrument is recognised as compound financial instruments in the form of financial liability with embedded derivative. Therefore, the Convertible Bond with an aggregate face amount of HK$1,432,000,000 to be issued by the Company as part of the consideration for the Acquisition will be separated into a derivative component and a liability component for the purpose of recognition of the Convertible Bond and included in the non-current liabilities of the Enlarged Group upon issuance..

   (i) For the purpose of the unaudited pro forma consolidated statement of financial position, the date of issuance of the Convertible Bond is assumed to be 31 December 2009. The fair value of the derivative component amounted to approximately HK$48,247,000 which was valued by independent valuers using Black-Scholes option pricing model on the market value of the convertible right embedded in the Convertible Bond on the issuance date. As such, the residual amount of the Convertible Bond amounting to HK$1,383,753,000 was assigned to the liability component on the issuance date.

   (ii) For the purpose of the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows, the date of issuance of the Convertible Bond is assumed to be 1 July 2008. The adjustment represents the recognition of yearly imputed effective interest of HK$18,352,000 for the Convertible Bond in the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows, based on the liability component of the Convertible Bond of HK$1,369,553,000 being the liability component of the Convertible Bond with the issuance date on 1 July 2008. The effective interest rate used for this adjustment is 1.34% per annum, being the effective interest rate used for the amortisation of discounted value of the liability component of the Convertible Bond as if the Convertible Bond were issued on 1 July 2008. For the purpose of the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows, it is assumed that there is no change in fair value of the derivative component of the Convertible Bond for the year from 1 July 2008 (assumed date of the issuance) to 30 June 2009.

4. The adjustment represents the elimination of Sun Progress's investment cost in ISE.

5. The adjustment represents the capitalisation of estimated legal and professional fees and other direct costs of approximately HK$5,500,000 directly attributable to the Acquisition. For the purpose of the unaudited pro forma consolidated statement of financial position, the above direct costs are assumed to be unsettled and included in creditors, other advances and accrued charges. For the purpose of the unaudited pro forma consolidated statement of cash flows, the above direct costs are assumed to be fully settled.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of an accountants' report from BDO Limited, the reporting accountants of the Company, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.

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9 April 2010

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

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Solartech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") and Sun Progress Limited ("Sun Progress") and its wholly-owned subsidiary Ikh Shijir Erdene LLC ("ISE") (Sun Progress and ISE, together with the Group hereinafter referred to as the "Enlarged Group") as set out on Appendix III to the Company's circular (the "Circular") dated 9 April 2010, which have been prepared by the directors of the Company, solely for illustrative purposes only, to provide information about how the Group's proposed acquisition of the entire issued share capital of Sun Progress (the "Acquisition") might have affected the financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix III of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 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 paragraph 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, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information as set out in Appendices IIA and IIB to the Circular with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) 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 Enlarged Group as at 31 December 2009 or any future date; or
- the financial results and cash flows of the Enlarged Group for the year ended 30 June 2009 or for any future period.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
For and on behalf of
BDO Limited
Certified Public Accountants
Hong Kong

Lam Siu Fung
Practising Certificate number: P05308

The following is the text of a letter prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation as at 31 December 2009 of the market value of a 100% equity interest in Ikh Shijir Erdene LLC to be acquired by Solartech International Holdings Limited.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

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9 April 2010

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

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Solartech International Holdings Limited (referred to as the "Company") for us to provide our opinion on the market value of a 100% equity interest in Ikh Shijir Erdene LLC (referred to as "ISE") as at 31 December 2009 (referred to as the "Date of Valuation").

This report includes the background of ISE, an industry overview, the basis of the valuation and the assumptions. It also explains the valuation methodology utilized and presents our conclusion of value.

BASIS OF VALUATION

We have conducted our valuation in accordance with "The HKIS Valuation Standards on Trade-Related Business Assets and Business Enterprises" published by the Hong Kong Institute of Surveyors (HKIS) in August 2004. This valuation has been carried out on the basis of market value. Market value is defined as "*the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion*".

BACKGROUND OF ISE

ISE was incorporated in Mongolia and is a 100%-owned subsidiary of Sun Progress Limited. The principal activities of ISE are exploration and mining. As advised by the Company, ISE has a sole asset of greenfield gold-copper mine (referred to as the "Mine") and insignificant liability.

The Mine is located at Nergui, Delgerkhangai County, Dundgobi Province, Mongolia which is 430km southwest away from Ulaanbaatar City, 125km west away from central city of Mandalgovi County, Dundgobi Province and 16km southeast away from center of Delgerkhangai County. The Mine has an area of 3,464 hectares under 2 exploration licences and 1 mining licence currently held by ISE. The 4 coordinates of the Mine are as follows:

Coordinate	Longitude	Latitude
1	104° 55′ 30″	45° 06′ 10″
2	105° 00′ 00″	45° 06′ 10″
3	105° 00′ 00″	45° 03′ 00″
4	104° 55′ 30″	45° 03′ 00″

According to *Technical Review on Bor Teeg Copper-Gold Project Located at Delgerkhaan Soum, Dundgobi Aimag, Mongolia* (referred to as the "Technical Report") dated 9 April 2010 issued by BMI Technical Consulting (referred to as the "Technical Advisor"), the resources of the Mine were as follows:

Gold Resource of the 1st Zone in the Bor Teeg Project

Resource Classification	Ore Resource	Metal Contents			Average Grade		
		Gold	Silver	Copper	Gold	Silver	Copper
	(tonne)	*(tonne)*	*(tonne)*	*(tonne)*	*(gram/ tonne)*	*(gram/ tonne)*	*(%)*
Measured Resource	5,836,840	1.26	19.25	3,336	2.19	17.43	0.06
Indicated Resource	5,284,220	0.51	37.61	2,642	3.05	19.86	0.05
Total:	**11,121,060**	**1.77**	**56.86**	**5,978**	**2.46**	**17.85**	**0.04**

Copper-Sulfide Resource of the 1st Zone in the Bor Teeg Project

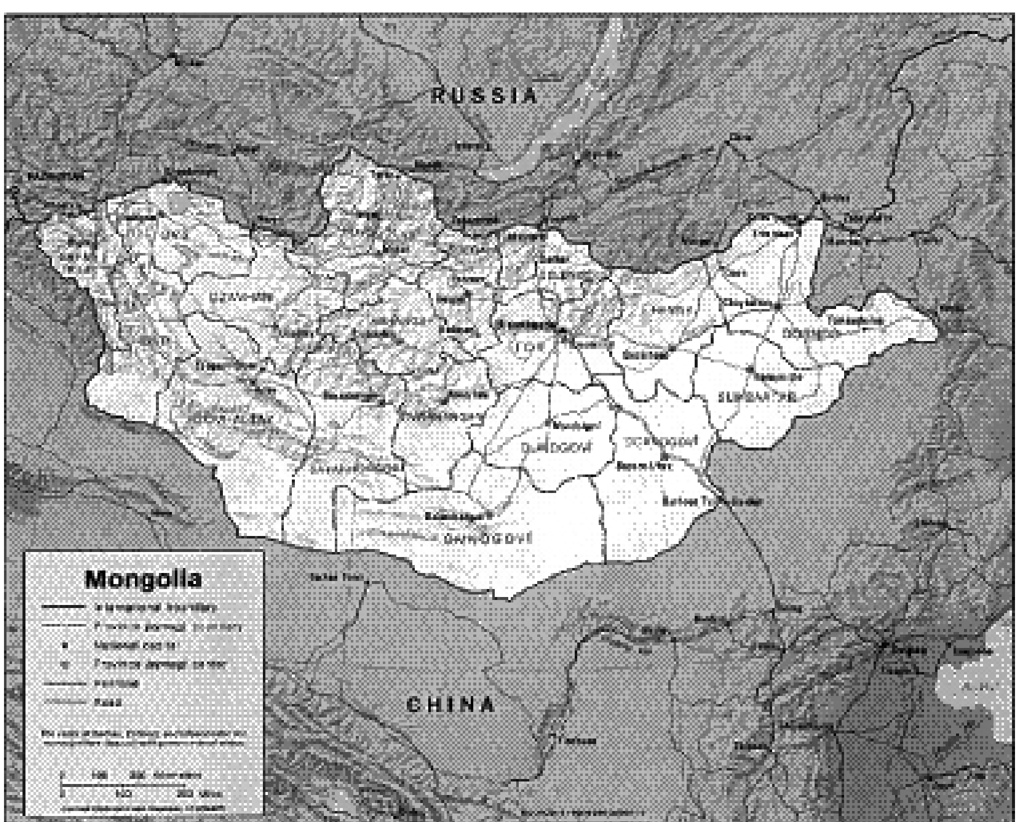
Resource Classification	Ore Resource	Metal Contents			Average Grade		
		Gold	Silver	Copper	Gold	Silver	Copper
	(tonne)	*(tonne)*	*(tonne)*	*(tonne)*	*(gram/ tonne)*	*(gram/ tonne)*	*(%)*
Measured Resource	3,289,770	0.62	48.94	55,318	0.41	5.13	1.68
Indicated Resource	4,843,820	0.10	32.05	74,110	0.37	5.44	1.53
Total:	**8,133,590**	**0.72**	**80.99**	**129,428**	**0.39**	**5.07**	**1.68**

Massive Copper-Sulfide Resource of the 2nd Zone in the Bor Teeg Project

		Metal Contents			Average Grade		
Resource Classification	Ore Resource	Gold	Silver	Copper	Gold	Silver	Copper
	(tonne)	*(tonne)*	*(tonne)*	*(tonne)*	*(gram/ tonne)*	*(gram/ tonne)*	*(%)*
Measured Resource	4,423,955	0.64	23.3	56,405	0.41	3.49	1.28
Inferred Resource	94,353,580	1.06	35.19	1,251,129	0.37	6.50	1.33
Total:	**98,777,535**	**1.70**	**58.49**	**1,307,534**	**0.39**	**5.00**	**1.30**

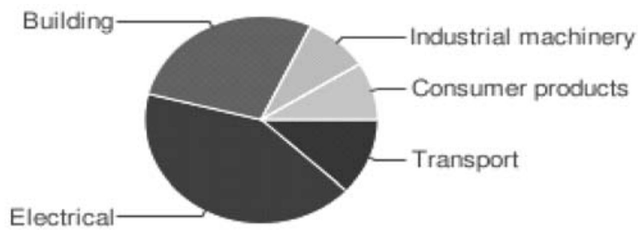
INDUSTRY OVERVIEW

Mongolia's population is just under 3 million (July 2008 estimate). About 4 million ethnic Mongols live in Inner Mongolia, which is now part of China. Mongolia is rich in various natural resources, including oil, coal, copper, molybdenum, tungsten, phosphates, tin, nickel, zinc, fluorspar, gold, silver and iron. Among all kinds of minerals, copper, coal, gold, molybdenum, fluorspar, uranium, tin and tungsten have been accounted for a large part of industrial production and foreign direct investment. According to the CIA's the World Factbook, the average Mongolian real GDP growth rate is 9%. (i.e. 8.6% in 2006, 9.9% in 2007 and 9% in 2008).



For industrial consumption of copper, the electrical and building related industries consume 60% of the copper produced globally.

Global Copper Industrial Consumption



Industry	%
Electrical	42
Building	28
Transport	12
Consumer products	9
Industrial machinery	9
Total	100

Source: Standard CIB Global research

SOURCE OF INFORMATION

For the purpose of our valuation, we were furnished with the financial and operational data related to ISE, which were provided by the senior management of the Company as follows:

- A feasibility report on the Mine (referred to as the "Feasibility Report") prepared by CBE LLC, an independent exploration and consulting company in Mongolia;
- Copies of licenses required for the operation of the Mine;
- Technical Report; and
- Financial statements of ISE.

As advised by the senior management of the Company, the Feasibility Report was prepared under the following assumptions:

- There will be no material changes in the political and legal environment as well as government policies in Mongolia that will adversely affect the business of ISE and the Mine;
- Economic conditions will not deviate significantly from economic forecasts;
- There will be no material changes in the taxation laws and regulations in Mongolia where the Mine is currently exposed to or will be exposed to, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with; and

- Exchange rates and interest rates will not differ materially from those presently prevailing and market and economic conditions will not deviate significantly from that of forecasts.

The valuation required consideration of all pertinent factors affecting the economic benefits of ISE and its abilities to generate future investment returns. Factors considered in the valuation included, but were not limited to, the following:

- The business nature of ISE;

- The copper resource as stated in the Technical Report;

- The production and related cost estimation as derived from the Feasibility Report;

- The financial and operational information of ISE;

- The specific economic environment and competition for the market in which ISE operates;

- Market-derived investment return of entities engaged in similar lines of business; and

- The financial and business risks of ISE, including the continuity of income and the projected future results.

SCOPE OF WORKS

In the course of our valuation work for ISE, we have conducted the following steps to evaluate the reasonableness of the adopted bases and assumptions provided by the senior management of the Company:

- Conducted a site inspection of ISE;

- Interviewed with the senior management of the Company;

- Obtained all relevant financial and operational information and future development plan/projection of ISE from the senior management of the Company;

- Performed market research and obtained statistical figures from public sources;

- Examined all relevant bases and assumptions of both financial and operational information related to ISE, which were provided by the senior management of the Company, the Technical Report and the Feasibility Report;

- Prepared a business financial model to derive the indicated value of ISE; and
- Presented all relevant information on the background of the ISE, the source of information, the scope of works, the valuation assumptions and methodology, comments and our conclusion of value in this report.

VALUATION ASSUMPTIONS

Given the changing environment in which ISE is operating, a number of assumptions have to be established in order to sufficiently support our concluded value of ISE. The major assumptions adopted in our valuation are:

- Only copper was considered to have the economic value during the course of the valuation;
- No gold and silver was taken into account in our valuation;
- The selling price of copper cathode would be US$7,000 per tonne, which is determined by reference to i) the copper price as at 31 December 2009, which is approximately US$7,375; and ii) the price of the traded copper forward contracts from 2010 to 2013 listed at London Metal Exchange as at 31 December 2009, which ranged between US$7,550 and US$7,840;
- All copper cathode would be sold to Inner Mongolia;
- The Feasibility Report was prepared after due and careful considerations by CBE LLC;
- All licenses, permits, certificates and consents issued by any local, municipal, provincial or national government or other authorized entity or organization that will affect the continuity of ISE and the Mine have been obtained or can be obtained upon request with an immaterial cost;
- The resources of the Mine will not differ materially from the amount stated in the Technical Report;
- The future annual production and the future capital expenditure of the Mine will not differ materially from the amount stated in the Feasibility Report;
- The exploration and development works and the exploitation of copper resources in the Mine will be successful as planned;
- ISE currently has, or will have, adequate human capital and production capacity required for the operation of the Mine; and the required human capital and production capacity will be acquired in a timely manner that will not affect the revenues and incomes being generated;

- There will be no material change in the existing political, legal, fiscal, technological, market and economic conditions in the jurisdiction where ISE currently operates or will operate, which will affect the revenues and incomes being generated;

- There will be no material change in the taxation laws and regulations in the jurisdiction where ISE currently operates or will operate, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

- The market return, market risk, interest rates and exchange rates will not differ materially from those presently prevailing and market and economic conditions will not differ materially from those of present or forecasted;

- The supply and demand, both domestically and internationally, of the products of ISE or similar products will not differ materially from those of present or expected;

- The market prices and the relevant costs, both domestically and internationally, of the products of ISE or similar products will not differ materially from those of present or expected;

- The products of ISE or similar products are marketable and liquid, that there are active markets for the exchange of the products of ISE or similar products;

- The core business operations of ISE and the Mine will not differ materially from those expected;

- The financial and operational information in respect of ISE have been prepared on a reasonable basis, reflecting estimates that have been arrived at after due and careful considerations by the senior management of the Company;

- The fundamental information in respect of the Mine as stated in the Technical Report has been prepared on a reasonable basis, reflecting estimates that have been arrived at after due and careful considerations by the Technical Advisor;

- The management of ISE and the Mine will implement only those prospective financial and operational strategies that will maximize the efficiency of the operation of the business;

- The management of ISE and the Mine have sufficient knowledge and experience in respect of the operation of the business, and the turnover of any director, management or key person will not significantly affect the operation of the business;

- ISE and the Mine have adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;

- The management of ISE and the Mine have adopted reasonable and appropriate contingency measures against any human disruptions such as fraud, corruption and strike, and the occurrence of any human disruptions will not significantly affect the operation of the business; and

- The management of ISE and the Mine have adopted reasonable and appropriate contingency measures against any natural disasters such as fire, flood and hurricane, and the occurrence of any natural disasters will not significantly affect the operation of the business.

VALUATION METHODOLOGY

Three generally accepted valuation approaches have been considered in the valuation. They are the cost approach, the market approach and the income approach.

The Cost Approach

The cost approach provides an indication of value based on the principle that an informed buyer would pay no more than the cost of producing a substitute asset with equal utility as the subject asset.

Under the cost approach, the historic cost method measures the cost incurred through the development of the subject asset at the time it was developed; the replication cost method measures the amount of investment that would be required to develop an asset similar to the subject asset; and the replacement cost method measures the amount of investment that would be required to develop the subject asset as it currently exists.

The Market Approach

The market approach provides an indication of value by comparing the subject asset to similar businesses, business ownership interests or securities that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the comparable assets.

Under the market approach, the guideline company method computes a price multiple for publicly listed comparable companies and then applies the result to a base of the subject asset; and the sales comparison method computes a price multiple using recent sales and purchase transactions of comparable assets and then applies the result to a base of the subject asset.

The Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The discounted cash flow (DCF) method is the most fundamental and prominent method of the income approach. In applying the DCF method, the expected cash flows of an asset in the future were determined. The results were then discounted using a discount rate, or the cost of capital, to determine the present value of the expected cash flows. The present value of the expected cash flows was computed using the following formula:

$$PVCF = CF_1/(1+r)^1 + CF_2/(1+r)^2 + \ldots + CF_n/(1+r)^n$$

Where:

$PVCF$	=	present value of expected cash flows
CF	=	expected cash flow
r	=	discount rate
n	=	number of years used in the DCF model

The Selected Valuation Approach

Among the three approaches, the income approach was ultimately considered to be the most appropriate valuation approach in this valuation as the income approach necessitates a more detailed analysis of expected cash flows and cost of capital for such cash flows as well as ISE's specific geological and geographical condition that the market approach does not. The market approach, instead, relies generally on deriving value through a measure of the values of comparable companies or market transactions. Given the characteristics of ISE, there was a lack of explicitly comparable companies or market transactions available as at the Date of Valuation to derive an indicative value of ISE with sufficient level of accuracy. Accordingly, the market approach was abandoned. The cost approach was also considerate inappropriate as the replication cost of ISE may not represent the value of ISE. Under the income approach, the DCF method was adopted.

Calculation of cash flow period

Based on the estimated copper resource from the Mine stated in the Technical Report and the anticipated production rate at the full designed capacity, it is believed that those resources are sufficient to support production for approximately 19 years. The length of production period of the Mine is determined by reference to the estimated copper resource of the Mine (using 100% of measured resources + 100% of indicated resources + 50% inferred resources as stated in the Technical Report) divided by the anticipated production rate of copper ore of the Mine at 3,429,000 tonnes per annum.

Calculation of expected cash flow (i.e. free cash flow)

The free cash flows were determined from the net income after tax and environmental compliance costs plus non-cash expenses (such as depreciation and amortization expenses) and after-tax interest expense; the results of which were then reduced by non-cash incomes, investments in capital expenditure and investments in net working capital. Specifically, the formula used to compute the free cash flow was as follows:

$FCF = NI + NCE + Int\ (1 - T_c) - NCI - InvFA - InvWC$

Where:

FCF	=	free cash flow
NI	=	net income after tax and environmental compliance costs
NCE	=	non-cash expenses
Int	=	interest expenses
T_c	=	corporate tax rate
$Int\ (1 - T_c)$	=	after-tax interest expense
NCI	=	non-cash income
InvFA	=	investment in capital expenditure
InvWC	=	investment in net working capital

For the purposes of determining the free cash flows for the cash flow period for ISE, the production forecast, the capital and other costs forecast and the unit operating costs analysis forecast for the Mine as derived and summarised from the Feasibility Report set out in the following tables and notes were applied:

Production Forecast for the Mine

Item	**2010**	**2011**	**2012**	**2013**	**2014**
Ore Tonnage (tonne '000)	0	0	286	2,001	3,429
Ore Average Grade (%)			1.36	1.36	1.36
Total Loss Rate					
Mining Recovery (%)	–	–	70	70	70
Mill Recovery (%)	–	–	92	92	92
Final Products					
Copper Cathode (tonne)	–	–	2,500	17,500	30,000
Copper Cathode Grade (%)	–	–	99	99	99

Notes:

(1) For the years following 2014 until Year 2030, the estimated production of Copper Cathode, for the purpose of calculation, was estimated to remain the same to that of Year 2014, on the basis that the production for Year 2014 is the anticipated full production rate of the Mine.

(2) The average ore grade employed in the valuation is calculated by reference to the weighted average ore grade of resources (excluding the copper resources in the Gold resource of the 1st Zone of the Mine as their grade was too low), which takes into account the variation in concentration of mineral content within the Mine.

(3) The mining recovery rate and mill recovery rate are extracted from the Feasibility Report, which were determined by local mining experts based on their professional knowledge and experience.

(4) The mill recovery rate is determined by reference to the loss of mineral materials when they are being processed in the mill, accordingly, it does not change materially throughout the life of the Mine. The Company has also budgeted a maintenance costs to replace aged machinery and mining parts.

Unit Operating Cost Analysis Forecast for the Mine

Item	**US$/tonne of Copper Cathode**
Mining Cost	
Mining	363
Transportation	251
Labour	42
Others	62
Processing Cost	
Power	163
Agent	149
Labour	60
Others	37
Selling & Administration Expense	
Management	81
Others	110
Total Operating Cost:	1,319

Note: As the Mine is exploited by open pit approach, the difficulty in the mining operation is relatively consistent throughout the life of the Mine, there is no reason to suggest that the mining cost will increase significantly at the later stage of the Mine. Accordingly, for the purpose of calculating the unit operating cost per tonne of Copper Cathode produced, it was assumed that the costs remain the same throughout save for adjustments to take into account inflation.

Capital and Other Related Cost Forecast for the Mine

Item	**2010** *(US '000)*	**2011** *(US '000)*	**2012** *(US '000)*	**2013** *(US '000)*	**2014** *(US '000)*
Capital Cost					
Mining equipment	–	2,658	7,927	–	–
Processing plant equipment	–	10,412	–	–	–
Construction facility	–	404	–	–	–
Other equipment	–	471	991	–	–
Pre-production	–	7,675	–	–	–
Others	–	1,081	–	–	–
Maintenance	–	–	–	–	316
Exploration Work	623	623	623	623	623
Mining License	17	17	17	17	17
Land Use	100	100	100	100	100
Total Cost (excluding operating cost):	740	23,441	9,658	740	1,056

Notes:

(1) Since the Mine will be exploited by open pit approach, equipment and plants used in exploiting Zone I of the Mine can also be used in exploiting Zone II of the Mine. It is estimated that the Company would not need to make substantial capital expenditure in developing Zone II of the Mine. Accordingly, for the years following 2014 until Year 2030, the estimated capital and other related costs for the Mine, were estimated to remain similar and not materially different to that of Year 2014.

(2) Year 2011 estimated capital and other related costs incorporate the expected costs for the implementation of Phase I of the Company's business plan and Year 2012 estimated capital and other related costs incorporate the expected costs for the implementation of Phase I of the Company's business plan involving the enlargement of the Company's production capacity.

ISE's corporate tax rate is understood to be 25% based on discussions with the Company's Mongolian counsel. Since the interest expense was excluded when computing the net income after tax (NI), the after-tax interest expense is not needed to add back to the NI practically due to the netting effect. The investment in net working capital was estimated to be 2.5 months of the operating revenue. The working capital requirement estimate is determined by reference to: (i) the industry norm of using approximately 2-3 months' operating revenue as net working capital for preliminary valuation of mining companies; (ii) the Company's estimates of the working capital requirement of ISE when it commences operation; and (iii) the average working capital to revenue ratio of approximately 2.5 months of the industry comparables. Non-cash expense was the depreciation incurred mainly from the capital expenditure.

Calculation of the Discount Rate

The Weighted Average Cost of Capital (WACC) was adopted as the discount rate for the valuation. It is the required return on the capital investment of a company. The cost of capital will be different for each source of capital and class of securities a company has, reflecting the different risks. The WACC is the weighted average of the costs of each of the different types of capital, and the weights are proportion of the company's capital that comes from each source. The WACC of 13.77% was computed using the following formula:

$$WACC = R_e\ (E/V) + R_d\ (D/V)\ (1\text{-}T_c)$$

Where:

$WACC$	=	weighted average cost of capital
R_e	=	cost of equity
R_d	=	cost of debt
E	=	value of the firm's equity
D	=	value of the firm's debt
V	=	sum of the values of the firm's equity and debt
E/V	=	weight of equity
D/V	=	weight of debt
T_c	=	corporate tax rate

(I) Cost of equity

The cost of equity of 17.40% was determined using the Capital Asset Pricing Model (CAPM) which describes the relationship between the risk of a particular asset, its market price and the expected return to the investor, that investors required additional return to compensate additional risk associated by the following formula:

$$R_e = R_f + \beta * MRP$$

Where:

R_e	=	cost of equity
R_f	=	risk-free rate
β	=	beta coefficient
MRP	=	market risk premium

R_f. In line with market practice for investments denominated in US dollars, the yield rate of United States Treasury Notes, and, in this case, the yield rate of 10-year United States Treasury Notes of 3.84% was adopted as the risk free rate (R_f).

β. The beta coefficient (β) measures the risk of an asset relative to the overall market. It reflects the sensitivity of an asset's value to economic variables or risks that affect the values of all risky assets, including economic growth rates, interest rates, exchange rates and inflation rates. As ISE is yet to commence operations nor a listed company, it is not possible to determine its beta. An approximate for the beta for ISE was, instead, estimated by taking the average of the betas of publicly listed companies similar to ISE (i.e. industry comparables), adjusted for differences in corporate tax rates and leverage compositions.

The industry comparables used are set out in the Appendix. The key selection criteria was that the companies were within the same sector as ISE, namely the copper mining and processing sector and whose sales made up greater than 90% of annual turnover based on the latest annual report. It was also important that they were publicly listed and whose shares were actively traded to ensure each of their betas reflected true market value.

In order to calculate the beta for ISE more precisely, it is necessary to use, on the one hand, a sufficient large sample size and, on the other hand, appropriate comparable companies. When balancing between the sample size and the comparability of the companies adopted, therefore, the key selection criteria cannot be overly specific. Generally speaking, the industrial characteristic and the geographical characteristic will be considered when choosing the comparable companies. However, as there is no similar industrial and geographical characteristic as ISE, only the industrial characteristic of ISE was applied.

The betas of the industry comparables were adjusted using the following generally accepted formula which is based on the assumption that a security's beta moves toward the market average over time:

*Adjusted Beta = 0.33 + 0.67 * Raw Beta*

The unlevered beta was calculated to consider the differences in corporate tax rates and leverage compositions of ISE and the comparable companies. The unlevered beta removes the effects of the use of leverage on the capital structure of a firm. Removing the debt component allows an investor to compare the base level of risk between various companies. The unlevered beta was computed using the following formula:

$$\beta_u = \beta_l / [1 + (1 - T_c)(D/E)]$$

Where:

β_u	=	unlevered beta
β_l	=	levered beta
T_c	=	corporate tax rate
D	=	value of the firm's debt
E	=	value of the firm's equity
D/E	=	debt-to-equity ratio

The raw betas and the unlevered betas of the industry comparables are as follows:

Name of Company	Raw Beta	Unlevered Beta
Aditya Birla Minerals Ltd	4.69	1.06
Anvil Mining Ltd	2.10	1.72
Sociedad Minera Cerro Verde SA	1.09	1.06
Hindustan Copper Ltd	1.92	1.61
Mercator Minerals Ltd	3.96	0.57
Nord Resources Corporation	1.93	0.58
Pacifico Quinta Region	0.39	0.58
Palabora Mining Co Ltd	1.34	1.21
Sociedad Punta del Cobre SA	0.60	0.73
Taseko Mines Ltd	2.44	1.86
Weatherly International PLC	3.63	0.82
Average of the Unlevered Beta:		1.07

The average of the unlevered betas of the comparable companies of 1.07 was then being relevered based on ISE's corporate tax rate of 25% and applying the expected debt-to-equity ratio of 39% to ISE, which is determined by reference to the debt-to-equity ratio of the industry comparables on the basis that ISE will trend towards the industry sector figure. The estimated beta coefficient for ISE was then calculated as 1.39.

MRP. The market risk premium *(MRP)* is the implied risk premium expected from the market which represents the additional return required by an investor as compensation for investing in equities rather than a risk-free instrument. As the mine is located in Mongolia, the relevant stock market should be the Mongolian Stock Exchange. Since the Mongolian Stock Exchange is not active and mature to reflect the market risk premium accurately and timely, the United States stock market long term risk premium was used with appropriate adjustments to reflect the country risk premium attribution to ISE's securities. Accordingly, the market risk premium of 9.78% was computed by adding the United States stock market long term risk premium of 5.70% and the country risk premium adjustment of 4.08%. The United States stock market long term risk premium applies the generally accepted figure as found in the 2009 Ibbotson® SBBI® Valuation Yearbook. The country risk premium adjustment was calculated by obtaining the average of the premium estimate using the following 2 approaches: the first approach was to calculate the country risk premium adjustment by comparing the volatility ratio between a mature equity market (and, in this case, the United States stock market) and the local stock market; the second approach was to calculate the country risk premium adjustment by adopting the country default risk and adjusted by the volatility ratio between local equity market and local bond market. This approach assumes that investors are more likely to choose between local bonds and local equity, whereas the previous approach assumes that choice is across equity markets.

(II) Cost of debt

The cost of debt of 6.00% was determined as the expected lending rate of ISE based on the existing lending terms that the Company is able to obtain, without taking into account the effect of the Acquisition. As advised by the senior management of the Company, the required funding will be raised in Hong Kong with reference to the Hong Kong prime lending rate plus 1%. Since the interest paid on debts are tax-deductible expense for a company, the cost of the company of obtaining debt funds is less than the required rate of return of the suppliers of the debt capital. The after-tax cost of debt of 4.50% was calculated by multiplying one minus the corporate tax rate of 25.00% by the cost of debt.

(III) Weight of debt

The weight of debt of 28.13% was determined by the average of the weights of debt of the industry comparables The existing debt level of ISE was not considered an appropriate measure given its stage of operation. It was considered more appropriate to assume a weight of debt trended towards a weight of debt which is the average of the industry comparables.

(IV) Weight of equity

The weight of equity of 71.87% was determined by the average of the weights of equity of the industry comparables on a same basis to the above.

The Discount for Lack of Marketability

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held asset. Ownership interests in closely held assets are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share in a privately held asset is usually worth less than an otherwise comparable share in a publicly listed company.

Based on various empirical researches, the corresponding discount should be within a range of 25-40%. Since ISE is a commodity company and commodity has a relatively large and liquid market, such as the international commodity trading markets – LME, COMEX and etc., and ISE's 100% controlling interest is far more marketable than a minority interest in most cases, 25% discount for lack of marketability is adopted in our valuation.

SENSITIVITY ANALYSIS

A sensitivity analysis is a technique used to determine how different values of an independent variable will impact a particular dependent variable (i.e. the market value of the subject asset) under a given set of assumptions. The sensitivity analysis on the market value (in HK$ million) of the 100% equity interest in ISE in respect of changes in the discount rate and copper selling price were as follows:

Sensitivity Analysis on Market Value (in HK$ million):

	Copper Selling Price		
Discount Rate	**US$5,500**	**US$7,000**	**US$8,500**
11.77%	1,440	2,160	2,880
12.77%	1,310	1,970	2,630
13.77%	1,200	**1,810****	2,410
14.77%	1,100	1,660	2,210
15.77%	1,010	1,520	2,040

** *HK$1,810 million was our best estimate on the market value of the 100% equity interest in ISE as at 31 December 2009.*

VALUATION COMMENTS

For the purpose of our valuation and in arriving at our opinion of value, we referred to the information provided by the senior management of the Company to estimate the value of ISE. We have also sought and received confirmation from the Company that no material facts were omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK$).

CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and methodologies that rely substantially on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, ISE, the Technical Advisor, CBE LLC or us.

Based on our investigation and analysis outlined in this report, it is of our opinion that the market value of a 100% equity interest in ISE as at 31 December 2009 was HK$1,810,000,000 (HONG KONG DOLLARS ONE THOUSAND EIGHT HUNDRED AND TEN MILLION ONLY).

We hereby certify that we have neither present nor prospective interest in the Company, ISE, the Mine, the Technical Advisor, CBE LLC or the value reported.

This report is subject to the limiting conditions attached.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED
Dr. Tony C. H. Cheng
BSc, MUD, MBA(Finance), MSc(Eng), PhD(Econ), FCIM, FRSM, SICME, SIFM, MHKIS, MCIArb, AFA, MASCE, MIET, MIEEE, MASME, MIIE, MASHRAE, MAIC
Managing Director

Notes: Dr. Tony C. H. Cheng serves as the Chairman of Institute of Mechanical Engineers, China and is a member of the Hong Kong Institute of Surveyors (General Practice), a member of the American Society of Civil Engineers, a member of the American Society of Mechanical Engineers and a member of Institute of Industrial Engineers (U.K.). He has about 5 years' experience in valuing similar assets or companies engaged in similar business activities as those of ISE worldwide.

APPENDIX

Industry Comparable 1

Name of Company	:	Aditya Birla Minerals Ltd
Ticker	:	ABY AU
Core Businesses	:	Aditya Birla Minerals Ltd. mines copper as well as produces and markets copper concentrate and cathodes.

Industry Comparable 2

Name of Company	:	Anvil Mining Ltd
Ticker	:	AVM CN
Core Businesses	:	Anvil Mining Limited is the holding company for an international base and precious metals mining and exploration group. Its principal assets comprise a majority interest in the Dikulushi copper/silver mine in the Democratic Republic of Congo (DRC), as well as interests in a number of exploration properties in the DRC.

Industry Comparable 3

Name of Company	:	Sociedad Minera Cerro Verde SA
Ticker	:	CVERDEC1 PE
Core Businesses	:	Sociedad Minera Cerro Verde S.A.A. extracts, produces and markets copper from a mine located in southwestern Peru, near the city of Arequipa.

Industry Comparable 4

Name of Company	:	Hindustan Copper Ltd
Ticker	:	HCP IN
Core Businesses	:	Hindustan Copper Limited is a vertically integrated multi-unit copper producer in India engaged in a wide spectrum of activities ranging from mining, beneficiation, smelting, refining and manufacturing of copper cathodes, continuous cast wire rods and wire bars.

Industry Comparable 5

Name of Company	:	Mercator Minerals Ltd
Ticker	:	ML CN
Core Businesses	:	Mercator Minerals Ltd. explores for and mines copper, molybdenum, and silver in the United States.

Industry Comparable 6

Name of Company	:	Nord Resources Corporation
Ticker	:	NRDS US
Core Businesses	:	Nord Resources Corporation is a natural resource mining and exploration company engaged in producing copper and exploring for gold, copper, nickel, cobalt and other minerals in Australia, Papua New Guinea and North America.

Industry Comparable 7

Name of Company	:	Pacifico Quinta Region
Ticker	:	PACIF CI
Core Businesses	:	Pacifico Quinta Region S.A., through its affiliate, Sociedad Punta de Cobre S.A., extracts and processes copper in leeching plants throughout Chile as well as resells much of the yielded mineral as Grade A copper cathodes.

Industry Comparable 8

Name of Company	:	Palabora Mining Co Ltd
Ticker	:	PAM SJ
Core Businesses	:	Palabora Mining Company Limited mines, extracts and sells copper and associated by-products including anode slimes, magnetite, sulfuric acid, uranium concentrates and zirconia. The Company also exploits a vermiculite deposit.

Industry Comparable 9

Name of Company	:	Sociedad Punta del Cobre SA
Ticker	:	PUCOBRA CI
Core Businesses	:	Sociedad Punta del Cobre S.A. mines copper as well as operates plants throughout Chile which process copper for resale as cathodes and other commercial and industrial products.

Industry Comparable 10

Name of Company	:	Taseko Mines Ltd
Ticker	:	TKO CN
Core Businesses	:	Taseko Mines Ltd. explores for and mines copper and molybdenum in Canada.

Industry Comparable 11

Name of Company	:	Weatherly International PLC
Ticker	:	WTI LN
Core Businesses	:	Weatherly International PLC is an integrated mining group with mining and smelting operations in Namibia and Zambia with the current focus on copper.

The following is the text of the letter from Guangdong Securities Limited, the Company's financial advisers and a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, BDO Limited, in connection with the cash flow forecasts underlying the valuation of ISE in the Valuation Report prepared by BMI.

(A) LETTER FROM GUANGDONG SECURITIES LIMITED

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

9 April 2010

Dear Sirs,

Terms used in this letter have the same meanings as defined elsewhere in the circular dated 9 April 2010 (the "**Circular**"), of which this letter forms part, unless the context requires otherwise. We refer to the valuation dated 9 April 2010 prepared by BMI in relation to the appraisal of the market value of ISE (the "**Valuation**"). According to the Valuation Report from BMI set out on in Appendix IV to the Circular, the Valuation has been arrived at based on the income approach, which takes into account the cash flow projection of ISE for the period from 2010 to 2030 (the "**Projection**").

We have reviewed the Projection and other relevant information and documents which you as the Directors are solely responsible, and discussed with you and BMI the information and documents provided by you which formed part of the bases and assumptions upon which the Projection has been made. In addition, we have considered and relied upon, the report addressed to the Board from BDO Limited as set out in Appendix V to the Circular regarding the accounting policies and the arithmetical accuracy of the calculations upon which the Projection has been made.

On the basis of the foregoing, we are of the opinion that the Projection, for which the Directors are solely responsible, has been prepared after due and careful enquiry.

Yours faithfully
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

(B) REPORT FROM BDO LIMITED

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9 April 2010

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

Dear Sirs

SOLARTECH INTERNATIONAL HOLDINGS LIMITED (THE "COMPANY") UNDERLYING CASH FLOW FORECASTS OF THE VALUATION ON IKH SHIJIR ERDENE LLC ("ISE")

INDEPENDENT ASSURANCE REPORT

In accordance with our agreed terms of engagement, we have examined the arithmetical accuracy of the calculations of the underlying cash flow forecasts of the valuation on ISE as at 31 December 2009 (hereinafter referred to as the "Underlying Forecast") which is regarded as a profit forecast under paragraph 29(2) of Appendix 1B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Underlying Forecast is set out in Appendix IV to the Company's circular date 9 April 2010 (the "Circular").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND OURSELVES

The directors of the Company (the "Directors") are responsible for the preparation of the Underlying Forecast and the reasonableness and validity of the assumptions based on which the Underlying Forecast is prepared (the "Assumptions").

It is our responsibility to form a conclusion, based on our work on the arithmetical accuracy of the calculation of the Underlying Forecast and to report our conclusion solely to you, as a body, solely for the purpose of reporting under paragraph 29(2) of Appendix 1B of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work. Because the Underlying Forecast relates to cash flows, no accounting policies of the Company have been adopted in its preparation.

The Assumptions include hypothetical assumptions about future events as detailed in the Appendix IV to the Circular and management actions that cannot be confirmed or verified in the same way as past results, and these assumptions may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express opinion whatsoever thereon.

BASIS OF CONCLUSION

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. We have examined the arithmetical accuracy of the calculations of the Underlying Forecast. Our work has been undertaken solely to assist the Directors in evaluating whether the Underlying Forecast, so far as the arithmetical accuracy of the calculations are concerned, has been properly compiled in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation on ISE.

CONCLUSION

In our opinion, so far as the arithmetical accuracy of the calculations is concerned, the Underlying Forecast has been properly compiled in accordance with the Assumptions made by the Directors as set out in the Appendix IV to the Circular.

Yours faithfully
For and on behalf of
BDO Limited
Certified Public Accountants
Hong Kong

Lam Siu Fung
Practising Certificate number: P05308

The following is the text of the technical report prepared by BMI Technical Consulting for the purpose of inclusion in this circular.

Technical Review

on Bor Teeg Copper-Gold Project Located at Delgerkhaan Soum Dundgobi Aimag Mongolia

for

Solartech International Holdings Limited

No. 7, 2/F Kingsford Industrial Centre
13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong

BMI Technical Consulting

Suites 11-18, 31/F., Shui On Centre,
6-8 Harbour Road, Wanchai, Hong Kong

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9 April 2010

Dr. Herman Tso
Director

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1. INTRODUCTION AND SCOPE OF REPORT

Solartech International Holdings Limited ("Solartech" or the "Company" or the "Client") commissioned BMI Technical Consulting ("BMITC") to review the Bor Teeg Copper-Gold Project ("Bor Teeg Project" or the "Project" or the "Deposit") operations located at Delgerkhaan Soum of Dundgobi Aimag, Mongolia. BMITC was required to provide an Independent Technical Review Report (the "Report") for potential equity investors and possible future shareholders so that they could review the Bor Teeg Project.

2. PROGRAM OBJECTIVES AND WORK PROGRAM

2.1 Program Objectives

Objectives of the program were to review available data, participate in a site visit and provide the Client with both verbal feedback and this technical Report.

2.2 Purpose of the Report

The purpose of the Report is to provide potential equity investors and shareholders of the Company and The Stock Exchange of Hong Kong Limited ("HKSE") with an Independent Technical Review Report. The Report has been prepared in accordance with Chapter 18 of the Listing Rules of the HKSE.

2.3 Reporting Standard

This Report has been prepared to the standard of and is considered by BMITC to be, a Technical Assessment Report under the guidelines of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the "VALMIN Code"). The VALMIN Code. The VALMIN Code is the code adopted by the Australasian Institute of Mining and Metallurgy ("AusIMM") and the standard is binding upon all AusIMM members. The VALMIN Code incorporates the Joint Ore Reserves Committee ("JORC") Code for the reporting of Mineral Resources and Ore Reserves as defined in the JORC Code.

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

2.4 Work Program

BMITC's work program involved two phases:

- Phase 1: reviewing of information provided; conducting a site visit to the Bor Teeg Project operations located at the Delgerkhaan Soum of Dundgobi Aimag, Mongolia; discussing with personnel of Solartech; and collecting and reviewing of further documents; and

- Phase 2: analysis of the provided data, writing the Report, review of additional data and finalization of the Report.

2.5 Statement of Independence of BMITC

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

BMITC has no prior association with Solartech in relation to the mineral assets that are the subject of the Report. BMITC has no beneficial interest in the outcome of the technical assessment conducted in connection with the preparation of the Report which is being capable of affecting its independence.

BMITC's fee for preparing the Report is based on its normal professional daily rates plus reimbursement for incidental expenses. The payment of BMITC's professional fee is not contingent upon the outcome of the Report.

2.6 Warranties

Solartech has represented in writing to BMITC that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

2.7 Indemnities

As recommended by the VALMIN Code, Solartech has provided BMITC with an indemnity under which BMITC is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- which results from BMITC's reliance on information provided by Solartech which is inaccurate or incomplete; or

- which relates to any consequential extension workload through queries, questions or public hearings arising from the Report.

2.8 Consents

BMITC consents to the Report being included, in full, and the reference to BMITC's name and names of the authors of the Report in the shareholders' circular to be issued by Solartech, in the form and context in which the technical assessment is provided, and not for any other purpose.

2.9 Experience

Dr. Herman C.M. Tso is a Director of BMI Technical Consulting which is located at Suites 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong. He has over 22 years of extensive executive and site experience in civil, geotechnical and mining engineering working with consulting engineers & contractors including in Canada and in Hong Kong. He is the Chartered Professional member of the Institute of Materials, Minerals & Mining (UK), as a board member in the Hong Kong branch of the Institute of Materials, Minerals & Mining. He is the professional member of the Canadian Institute of Mining, Metallurgy & Petroleum, the Canadian Geotechnical Society, the British Geotechnical Society and the American Geotechnical Institute. He is also a Chartered Civil Engineer and Chartered Mining Engineer.

3. LOCATION, ACCESS, PHYSIOGRAPHY, CLIMATE AND HISTORY

3.1 Location and Access

The Bor Teeg Project is bound by the areas marked by the Minerals Exploration Special Permit of 14536X and 15255X and the Minerals Mining Special Permit of 15287A located at Delgerkhangai Soum, Dundgobi Aimag, Mongolia. It is approximately 430km southwest from Ulaanbaatar city, approximately 125km west from central city Mandalgovi of Dundgobi Aimag, and approximately 16km southeast from Delgerkhangai Soum center.

The Coordinates of the Project area's corner points are:

	Longitude	**Latitude**
1.	104° 55′ 30″	45° 06′ 10″
2.	105° 00′ 00″	45° 06′ 10″
3.	105° 00′ 00″	45° 03′ 00″
4.	104° 55′ 30″	45° 03′ 00″

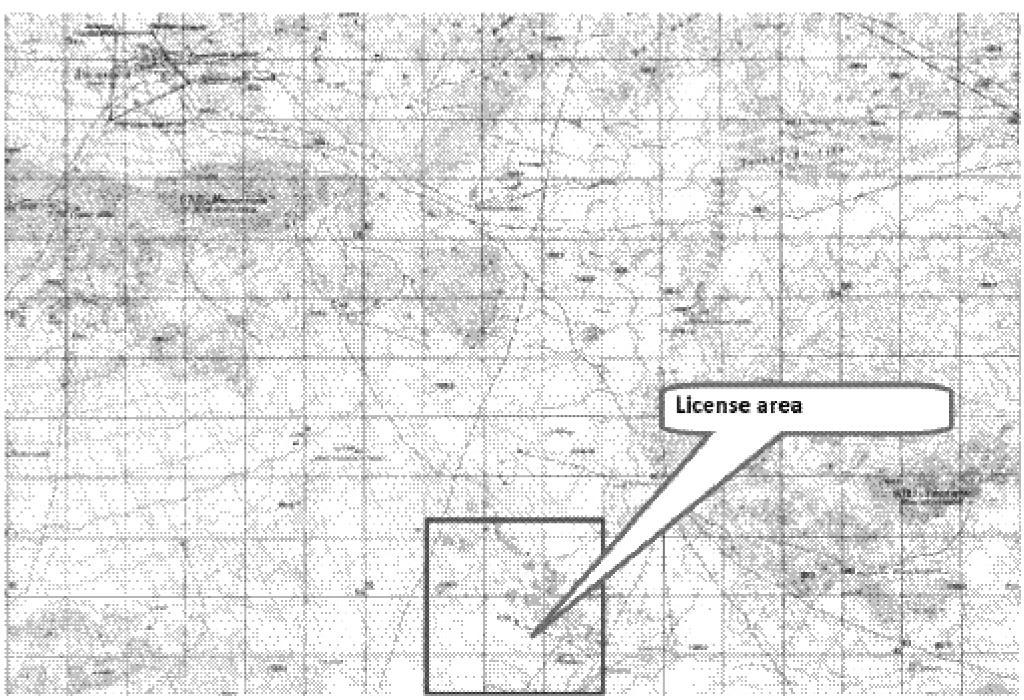


Figure 3-1: Project Location

3.2 Physiography and Geographic Condition

The Bor Teeg Project is bound by the areas marked by the Minerals Exploration Special Permit of 14536X and15255X and the Minerals Mining Special Permit of 15287A (covering 3,464 hectares in aggregate area) granted by MRAM with effect from 8 December 2008. All Permits are currently 100% owned by Ikh Shijir Erdene LLC ("ISE").

According to the geography of Mongolia, flat surfaced hills are located in Dornod Gobi, zone of Great Gobi region, on the altitude of average 1300-1900m above sea level. The differences of absolute elevation are 200-300m. The flat surface is formed overtime from erosion processes. The Deposits lies within small hills and lower mountains. The small creeks and valleys in this area are dry and the elevation is 1300-1400m.

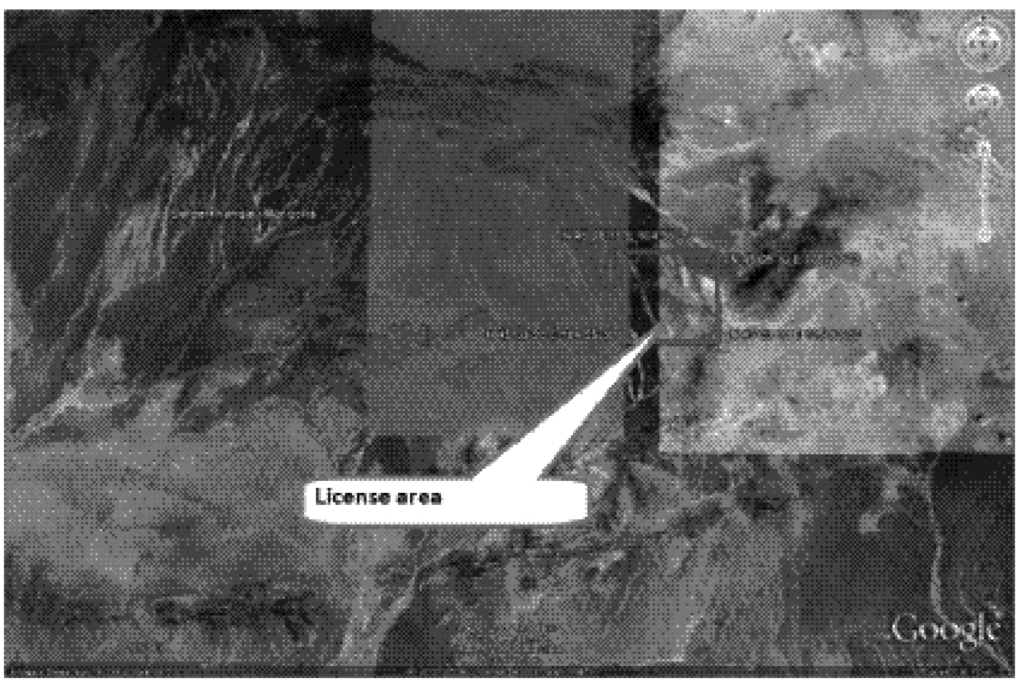


Figure 3-2: Satellite Image of the Project Area

Figure 3-3 Landscape Image of the Project Area

The surfaces of the Project area can be characterized as tectonic-erosion by endogene processing and eroded-accumulation tectonic by exogen processing.

Tectonic-erosion surfaces can be sub-divided into 3 types of crack surfaces as strongly cracked surface within medium level mountains; low cracked surface within foothills; and slowly sloping surface.

- Medium level mountains spread in small areas located east, southeast corner of the Project area, with steeply sloping, sharp peaks on top of hills. Those mountains separated by deep creeks with "V" shaped valleys. The valleys' width are approximately 30–100m at the upper part and approximately 300–400m at the lower part and sometimes much more.

- Foothills are spread widely on the east, southeast part of the Project area, with below sea level 900–1100m, 200–300m absolute elevation. Such foothills are slow sloping, rounded peaks and lower cracking surface. Separating such foothills are wide "V" shaped valleys.

- At below sea level of 800-1000m, with 50-200m absolute elevation and rounded peaks that are covered by quaternary sediments, strong cracks and wide basins are common on the low sloped hills.

3.3 Climate

The Project area is located in a relatively extreme climate condition which is not unlike other places in the Mongolian countryside, save that the Project area is slightly warmer. The spring and autumn periods are dry and warm with strong winds. The winter period is relatively long with small amount of snow and the summer is relatively short with little rain. Historically, around 70% of the days during the summer period in the Delgerkhangai region is hot and rainless.

The historical average temperature of Delgerkhangai soum is approximately +5.60°C. Coldest season is usually in January, around -34.5°C while the warmest season is usually in July, around +38.8°C. It normally starts to get cold around the first week of October, but at times, it can start as early as the third week of September. The cold weather can continue to last for up to around 140 days.

Over the recent years, the temperature Delgerkhangai soum has averaged around +10.30°C. The coldest period is in January, around -39.7°C while the warmest season is in July, around +64.6°C. The colder period normally lies around the middle of September to May, with snow up to 3.2m deep. Comparing the temperature variations between the historical and recent years, the recent years appears to have higher variation and the BayannOvoo area is warmer than the Delgerkhangai area (yearly average is 8.8).

Depending on the region's location in Mongolia and value of precipitation, maximum aerial moisture is in the winter and summer (January and July) and minimum moisture is in spring and autumn (May and September) and year average moisture is approximately 36–46% showing a dry-condition area. The year-total precipitation is not high 88.7mm. Therefore, the whole of Dundgobi aimag is within a low precipitation area.

With the average wind speed of 3.5-4.0m/c, the exploration area can be classified as a normal weathering area. Wind blows in from west and northwest; with around 26 days of sandy storms in a year and 6 days with snow storms. The year-average wind speed is 3.5m/c.

Irregularly snow dispersing in our country depends on land's relief. Snowing coverage thickness is divided by the average thickness of decades snowing and average thickness of more thick part.

3.4 Infrastructure

The transportation between Delgerkhangai soum and the Project area is connected by 16km gravel roads. Telecommunication here is modern with telephone stations connecting the provinces. Water supply for the mining process and for consumption can be sourced from three 25-30m deep wells about 1-1.5km away from the Project area.

3.5 Exploration History

The geological exploration history of Dundgobi aimag was started by Rafail Pempeil traveling to collect geological information from Ulaanbaatar to Beijing. He passed Haalgan during 1862–1865. Along in his travel during 1876-1885, N.V.Pevtsov, N.V.Prjevaliske noted the history and geographical information.

Through the travel from Hiagt to Haalga passing Ulaanbaatar in year 1892, V.A. Obruchiv collected geology-geomorphology information to create the first Mongolian map with a scale of 1:2500000. American geologist Ch. Berki and E. Morris created an updated map, classifying geostratigraphic categories based on fossils observed from Paleogene and Cretaceous age and explorations of the southeast area of Mongolia during 1922-1923.

Exploration-mapping of 1:500000 scale was executed by Chuloshnnikov. B.I and Zaharin.P.A in 1940; exploration-test and prospect survey was conducted by Morozov.B.B during 1942–1944; and geological-mapping of 1:1000000 scale was executed by D.Ya. Aizderdzis during 1962–1963. These experts defined specifics of hydrogeological, geologystructure, geology history, geomorphology and tectonics by classifying stratigraphy and igneous rock as testing lythological composition, correlations, alternation and order of origination which were spread out the deposit and its nearby area. K.P.Atabekiyank unearthed more copper and gold resources in this area during 1961. Form the 50th to 60th year, geological exploration covered less on the rifting sediment and formation of rocks.

During 1981–1983, IluIliev.K and others carried out a project's mapping of 1:50000 scale, and discovered Delgerkhangai copper-gold occurrence. L.B.Zabotkin and J.Gan-Ochir carried out the exploration mapping of 1:200000 scale by Russian-Mongolian cooperation investigation cover on the L-48-XXI-XXIII, L-48-VII-IX sheets, regarding the deposit analysis on gold, copper, coal, fluorite, construction material and chalcedony.

The geological information obtained from all previous exploration works are considered during the resource estimation process. BMITC considered that these data are not outdated as there is no obvious reason to suggest that the environment in respect of the Bor Teeg area has been seriously disturbed.

3.6 Progress of Works

A mining licence with an initial period of 30 years has already been obtained in accordance with the Minerals Law but exploitation has not commenced up to now. Before the actual commencement of exploitation operations, the following consents and permits would be required: a) approval of a feasibility study and mining plan; b) mining permit; c) land use and water use permits; d) permission on commencement of construction; e) approval of the environmental impact assessment; and f) hygiene and fire approvals.

Open pit mining method would be adopted for the exploitation of the Mine. The preliminary works such as survey and design of the Mine can be conducted immediately. Construction of the Mine is expected to commence in 2011 and the open pit mining preparation, ore processing work and ancillary work are expected to be completed in 2012. However, as at the date of the Report, the detailed schedule of construction has not been finalized.

4. GEOLOGICAL AND MINERAL INVENTORY ASSESSMENT

4.1 Regional Geology

The Project area's geological setting description is based on field investigation and the previous exploration works mentioned in Section 3.5 above.

The Deposit area lies within the Southern Mongolian gold belt. This gold belt forms part of the northeast trending South Mongolia tectonic belt of north central Mongolia. The South Mongolia tectonic belt is composed of three major components:

1. *Precambrian – Early Paleozoic age*

Early Paleozoic sediments area related to flysch and subsequent plutonism. Miogeosynclinal flysch includes the Precambrian Delgerkhangai Series green-schist grade metamorphic rocks which are found northwest adjacent to the Delgerkhangai fault and the Lower Paleozoic Series of sandstones, shales, siltstones, conglomerates, hyalites, quartz-sericite and sericite-chlorite schists.

Early Delgerkhangai Complex is 450–520 million old identified by samples of granodiorite and granites. The Delgerkhangai Complex intrudes into the Delgerkhangai Series and belongs east of the Monhor fault zone. The intrusion was dislocated by renewed movement along the faults such as the Delgerkhangai fault at Tahilga.

2. *Middle to Upper Devonian age*

Continental volcanic and sedimentary rocks were settled by unconsolidated upon the Monhor, Tahilga and Delgerkhangai rocks and were spatially confined to the Monhor fault system. Volcanic rocks consist of sub-volcanic rhyoliteporphyritic, tuffaceous andesite lava and breccia. Sedimentary rocks consist of shale, sandstone and conglomerate.

3. *Jurassic-Cretaceous and Paleocene*

There are occurrences of coal-bearing sediment rocks and conglomerates in the Delgerkhangai and the Tahilga fault systems and they trend northeast-southwest and are thought to be strike-slip fault zones with left-lateral displacement. Their regional extent, together with their associated volcanism and magmatism "lakefeildresearch", indicate that they are deep seated features. The fracture possible to bearing copper-gold is belonging to the Takhilga fault trending 20–130º. The Deposit occurs along the Monkhor fault which is one part of Delgerkhangai tectonic system.

4.2 Project Area Geology

Permian rhyolite and Monhor Complex granodiorite, granites and diorites and Delgerkhangai Series metasedimentary rocks underlie the Bor Teeg area. These lithology units occur along, and are separated by, the Delgerkhangai sub-vertical fault. But volcanics (rhyolite) are found on the northwest side of the Monkhor fault whereas the Deposit granite occurs on the southeast side. The granite contains fault bounded xenoliths of Ih Bayan mountain series metasediment rocks.

Exploration to date indicates that the Deposit consists of disseminated and vein style copper-gold mineralization in volcanic, granite and metasedimentary rocks in two geographically separate zones, the 1st and 2nd. The 1st and 2nd zones are located adjacent to the Delgerkhangai fault. The 1st zone lies on the southeast hanging wall side of the structure and is covered by the ISE Mining Licence whereas the 2nd zone lies on the northwest side approximately 400m to the southwest and is covered by the ISE Exploration Licences. The combined length of the two zones are approximately 1.2km and their combined width is at least 300m.

The 1st zone is the only development-stage resource at the Bor Teeg Project. A complex assemblage of Delgerkhangai granite, Monhor meta-sandstones and less diorite and rhyolite host the 1st zone. The granite is a visible host rock. The meta-sandstones host possible copper gold values at contacts or in narrow structures but mostly they are low grade to barren. Altered granite may have been subjected to cataclasis and has a texture that may be massive, fine to medium-grained or brecciated. Mineralization in the 1st zone was predominately a disseminated gold sulfide assemblage. Younger veins and fine-grained silica alteration are locally superimposed over the disseminated mineralization and carry variable amounts of coarse native gold.

The 1st zone mineralization consists of fine grained sulfide bearing coppergold minerals and the 2nd zone mineralization consists of copper-gold within younger quartz veins.

According to the studies of the faults and fracture processing, there is a possibility of two ore zones as to one primary mineralized zone.

4.3 Faults

Structural elements control the distribution of gold mineralization and prominent alteration zones in the Bor Teeg Project area.

The Delgerkhangai fault is the major tectonic structure that controls coppergold mineralization in the 1st zone where it divides essentially barren volcanic rocks from granite that hosts the copper-gold bearing quartz and sulfide mineralization. The fault strikes consistently at 45º, with no apparent fault displacements, and dips sub vertically to 850 southeast. That fault figures out many direction of group fractures. The northeast and southwest part of the 2nd zone area have apparently been cut by many faults.

At north part of the 1st zone, the fault takes a more northerly strike suggesting that the 1st zone may lie at an inflection in the fault's regional trend. The fault was identified by comminuted rhyolite gouge, clay and sometimes silica-altered material or breccia ranging from 0.5m to 2m in width. Additional fractures have been intersected in the immediate hanging wall parallel to the Delgerkhangai fault, however, gold mineralization associated with these sub-structures is unevenly distributed and weaker compared to the Delgerkhangai.

The Delgerkhangai fault has relatively shallow angles. The two principal faults recognized at the Bor Teeg Project were the Monkhor and Ih Bayan faults.

4.4 Orebody Geology and Mineralogical Characteristics

The 1st zone has an irregular, but generally linear shape extending at least 1,200 meter along strike. Its width approaches 100 meter near its southwestern end and it narrows to 20 meter or less at the northeast end. The quartz-sericite alteration and sulfides continue to the northeast but widths were too narrow to have bulk mining potential.

The Delgerkhangai fault comprises the northwestern boundary of the 1st zone. The southeast boundary was a gradual decrease in sericitic-potassic-silica (potassic sericite) alteration and an increase in prophylitic alteration. On most drilling controls distribution of copper suggests that this boundary has almost vertical dip.

The width of the quartz-sericitic and sulfidation zone south of the Delgerkhangai fault varies from 30 meters to more than 80 meters and is to a large degree dependant on the specific lithology of the rock at the location and proximity to the Delgerkhangai fault. Massive host rocks in the 1st zone are characterized by much more variable copper-gold mineralization than is typical for the 2nd zone which were underlain by a one type of host rock, rhyolite. This was one reason that copper distribution in the 1st zone was more consistent than was typical for the 2nd zone.

The number of hydrothermal events in the 1st zone was suggestive that this zone has been the site through time where the hydrothermal event that emplaced the gold mineralization remained active.

The 1st zone has a principal body or lens adjacent to, and controlled by, the Delgerkhangai fault and smaller less continuous lenses in the immediate hanging wall of the principal lens that are discreet structures or that connect to it, possibly as splays. There were numerous drill intercepts of narrow to wide gold bearing structures further in the structural hanging wall to the southeast. These structures were likely veins that may parallel the Delgerkhangai fault or represent brittle fracture shears trending at oblique angles transverse to the fault and sub parallel to the plane of drill holes. Drilling was insufficient to establish the attitude of these structures with confidence.

Continuous gold mineralization in the principal lens of the 1st zone has been traced over a strike length of 900 meters. Horizontal widths vary from 2 meters to greater than 70 meters. Gold was distributed in a broad lower grade shell at >1% Cu that contains higher grade (>3% Cu) lenses with variable lateral and vertical continuity. These lenses are generally near surface in the thickest part on the principal body as outlined by more closely-spaced drilling to date. Gold mineralization has been traced by drilling to a maximum depth of 360 meter on the 1st zone and it was open to depth.

The 1st zone was located about 400 m south-west of the 2nd zone and was hosted by felsic volcanic rocks in the footwall or northwest side of the Delgerkhangai fault. 1st zone copper-gold mineralization was characterized by disseminated copper gold.

In 2009, the 1st zone was tested with spaced diamond core drilling over a 3,800-meter strike length of which fairly continuous copper mineralization averaging approximately 1.5% was intersected over a 220 meter strike length. The copper-gold mineralization was limited along strike but remains open at depth.

Sulfidation body of the 1st zone dispersed in a 50-85 meters area, and with 150 meters width and 700 meters length. That zone is dipping to northeast in the 40º subvertical and parallel with Delgerkhangai fault, which is defining at southeast boundary of ore body. Northwest boundary of ore body is slowly absorbed and defined by increasing K feldspar alteration and decreasing sericite alteration. The sulfide alteration upon the 100m deeping core sample from drilling is similarly mineralised with the surface's alteration.

The Mineralised rocks in the 1st zone are strongly altered rhyolite and thyolite porphyry, which are rare sites at a copper-gold sulfide mineralization zone. Most distributed rocks in the Project area are microbreccia with veining and stockwork texture. Quartz, sericite, carbonate and sulfides are found in these veinlets. It is very rare that fluorites and copper gold at the 1st zone are related to the fine grained pyrite, which normally requires the arsenopyrite and sulfide veinlets in volcanic rocks.

During the gold testing using four bottle roll cianite liquid in 2009, results show that the gold is fireproof and that the gold resource could potentially be increased by as much as 13-15%. 10 bore holes have subsequently been drilled in order to conduct further testing using the cianite liquid and collected samples from the oxidized rocks obtained from the two controlling beds of the 1st zone.

By cianite liquid testing, the average content of the samples that are collected within 10m deep from the surface consist of 1.5%-2% copper. Gold collected between the 10-20m depth averaged out at 53% and this is a very promising result when compared to the gold of 15% found in the sulfide zone. Using the cianite liquid during the mining process can significantly lower the expenses in the 1st zone.

The Bor Teeg mineralization can be classified as a low silica system of medium temperature with Cu + Au + Ag, and sulfide system associated with alteration zone of intense quartz-sericite-pyrite. There is possibly a lower temperature, near epithermal, overprinting by massive silica replacements and fault controlled silica accompanied by very fine-grained disseminated sulfide flooding.

5. RESOURCE AND RESERVE ESTIMATION

The cut off grades are estimated based on different economic conditions. The expenses of smelting and operation of plants affect the cut off grade contents and also the selling price of the ore. The economic effect is different for each type of ore and cut off grade estimations are conducted separately for oxidized and sulfide ore body. The maximum content would be defined as the content that all the expenses of processing and extracting can be recovered from the sale of ore.

5.1 Resource estimation of "1st zone"

5.1.1 General statement

Herein estimated the proposed resource before calculating indicated resource with high potential resource ore body. This audit included review of the level of cutting high grades, variography and kriging parameters, and mineral resource classification. Part of the indicated mineral resource was converted to proposed reserves, and the mineral resource reported herein is the remaining resource outside of the open pit. Unless otherwise specified, indicated resources listed below are in addition to mineral reserves.

The Bor Teeg 1st zone estimated resources by gold 0.26% cut off grade in oxidized zone and 0.5% grade is in the primary ore. At the open pit, total indicated resource is 635,035.7 tonnes ore, 135,406.20 tonnes copper with average 1.68% grade, 2.48tn gold with 1.64g/t average content including outside resource of open pit. Minimum thickness is 1.5m. In this estimation gold resource controlled by following cut off grades: 2g/t Au grade ore cut by 45g/t, 1g/t Au grade ore cut by 40g/t, 30g/t ore is by 0.5g/t Au grade and in the stockwork zone cut by 20g/t gold.

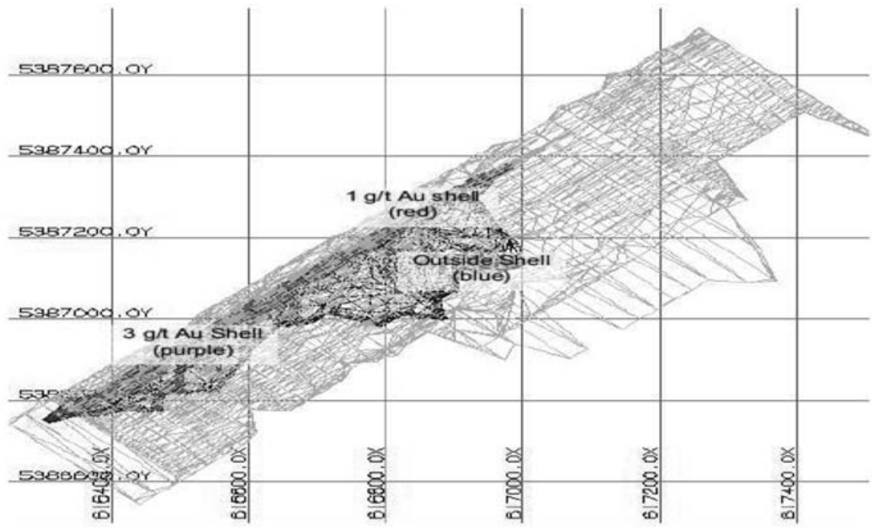


Figure 5-1 "1st zone" Ore Block's Plan

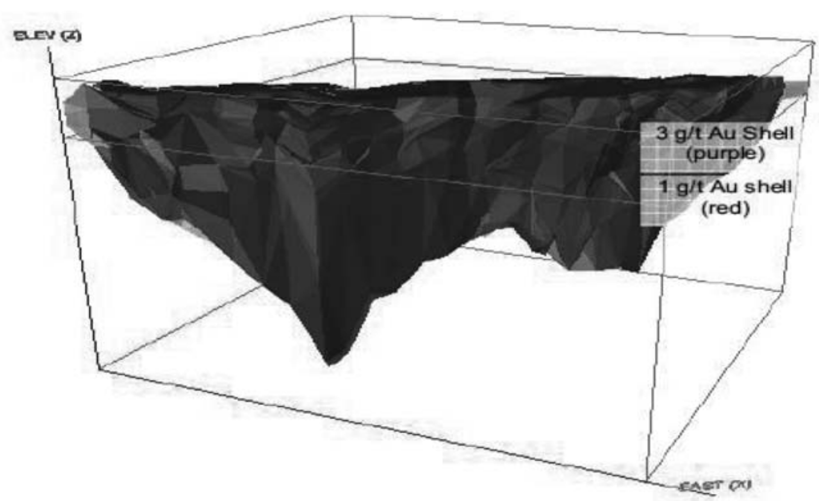


Figure 5-2 Orebody Viewing from Northeast
– Cutoff Grade 3g/t and 1g/t (Blue – 1,200m level)

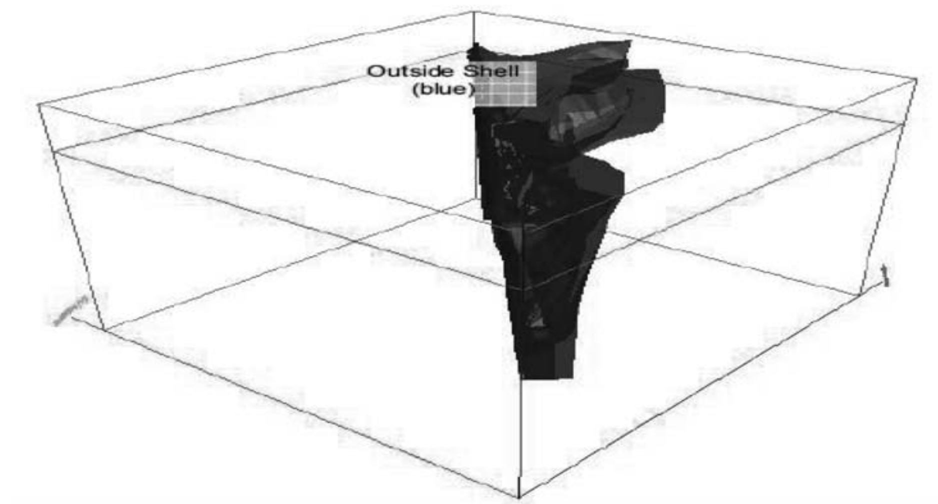


Figure 5-3 Copper Orebody Viewing from Northeast – Cutoff Grade 0.26% and 4.06% (Blue – 1,200m level)

5.1.2 Resource and reserve's estimation database

Gemcom Software International Ltd. (Gemcom) Resource Evaluation Version 5.5 was used for mineral resource estimating. Drilling collar, survey, assay and geology data are formatted by the Gemcom file format.

The Gemcom database includes data from 16 drill holes and 14 trenches. Only the drilling data were used for grade interpolation, since the trench assay data could not be sufficiently representative, as discussed below. At the drilling data, totally 40,083 meter drilled and 24,543 samples' assay records were taken with average interval being 1.6 meter. Also included in the database are 1,133 survey records and 6.56 lithology descriptions.

5.1.3 Ore classification

Individual grade boundaries at the Bor Teeg tend to be well defined, and the main geological interpretation in creating a useable geological model for resource estimation was the delineation of "mineralized zones" to define and limit the volume of copper sulfide mineralized material and the drilling sample intervals within these volumes for accurate grade interpolation without grade.

The geometry of the mineralized zones and constructed contour gradeshells on a series of vertical cross sections and bench plans prior to building up 3D solids. Contour grade-shells representing 1% and 2% copper grade cut-offs, plus an outside shell representing mineralization on the order of a 0.26% copper cut-off, and a wider stockwork shell represent the zone of stockwork alteration that encompasses sporadic zones of mineralization.

The contour built by using drill holes intersections composited to the shell grade and a minimum core length of 1.5 meters. Ore bodies were "snapped" to Bor Teeg Project composite intervals rather than the original assay intervals. Additional 3D surfaces representing in the oxide zone and topography were also provided.

The ore bodies were uploaded into Gemcom and reviewed. The interpretation and intervals appeared reasonable and there were no significant problems identified. Several solids were found to have self intersecting errors. These solids were used to build the block model with less than ideal results, but the impact on the overall resource is not considered to be material.

5.1.4 Statistic information of sampling and composites

Basic statistics were analyzed within each ore body. Sample lengths range from less than 50 cm to more than five meters. The assay distribution is shown as a log histogram. As for most gold deposit assay data sets, the distribution has a lognormal appearance.

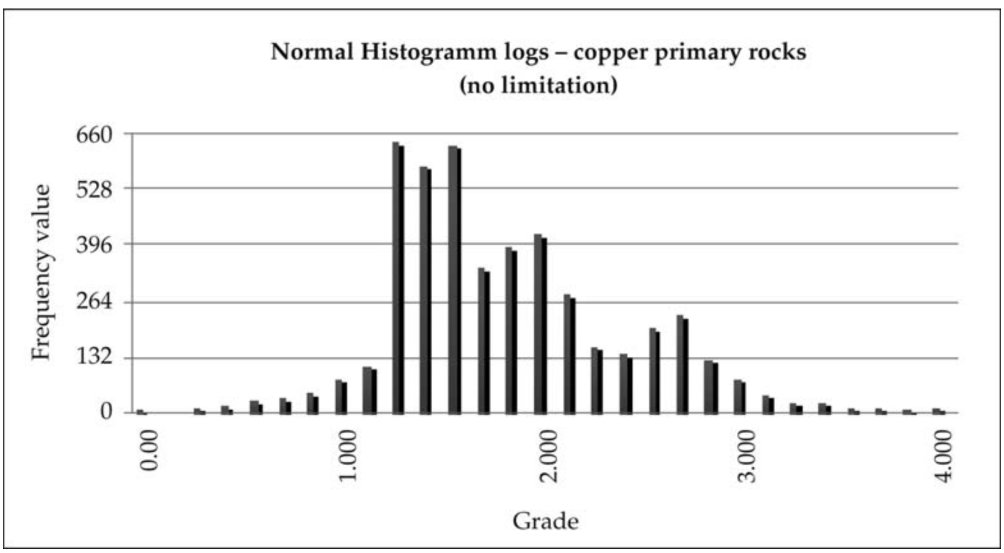


Figure 5-4 Histogram of Orebody – Copper Cutoff Grade 1% and 2%

For some copper-gold deposits, the distribution of gold and the geometry of the mineralization can be affected by weathering processes. Therefore, we produced several statistical comparisons to determine if the fresh and oxidized mineralized material should be treated separately with respect to grade interpolation and volumetric reporting.

Gold assays from fresh versus oxidized material are within the mineralized zones. There is a difference of 0.26% Cu or 16% in the mean cut grade between the two weathering types and the standard deviation and coefficient of variation are similar. Figure 5-5 shows Q-Q correlation between primary and oxidized ore body with 3g/t and 1g/t.

Statistically trench data was compared against drilling data to determine whether the trench data were representative of grade or if they show signs of enrichment or depletion of gold. Average gold grade in the trenches appears to be elevated with respect to the drilling data.

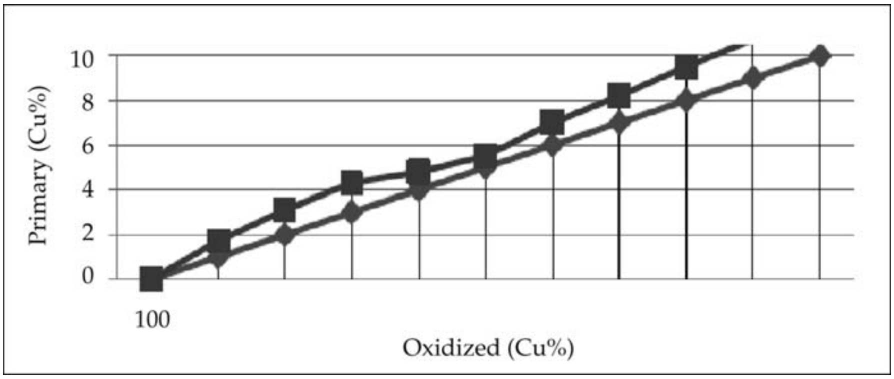


Figure 5-5 Q-QCorrelation between Primary and Oxidized Orebody

5.1.5 Composites value

Scatter plot of assay value versus sample length demonstrates a weak bias toward higher grade samples having shorter sample interval lengths. This bias is expected under sampling procedure protocol, which calls for samples that appear to be mineralized be submitted every one meter and longer intervals be used for intercepts that do not appear mineralized. Composite interpolation has been composed from surface to end of holes by 1.58m interval.

Composites were later assigned zone identifiers: 2% Cu shell, 1 % Cu grade, Outside Shell, or Stock work Shell. 47% of the sample lengths are greater than the composite length of 1.5m. Although the normal industry practice is to choose a composite length longer than most sample lengths, a length of 1.5m should not materially affect the resource estimate. Composite statistics shown were similar to the assay statistics, on an uncut basis.

5.1.6 Cutting off grade definition

Because of the skewed nature of gold deposit data sets, a small number of high assay values have a tendency to overly influence the average grade. Such outliers must be treated in some manner in order to reduce their influence on the average grade. One way of treating the high assays was to cut or cap them at a specific grade level. Raw assays should be cut, rather than composites, since composites, in general, smooth the high assays by combining them with adjacent lower assays and mask their influence on the average grade. An alternative method for treating high assays is to cut composites rather than assays.

The first step in comparing the results from the two cutting methods is to determine the appropriate cutting level of the original raw assays. In the absence of production data to calibrate the cutting level, inspection of the assay distribution can be used to estimate a "first pass" cutting or capping level. Figures 5-6 and 5-12 show the normal frequency histogram with controlling levels of low frequencies and ore contents.

Another consideration in determining cutting levels is whether or not high assays are clustered or are randomly distributed throughout the deposit. Examining the Central Zone raw assays in 3D does not show any clustering of high values.

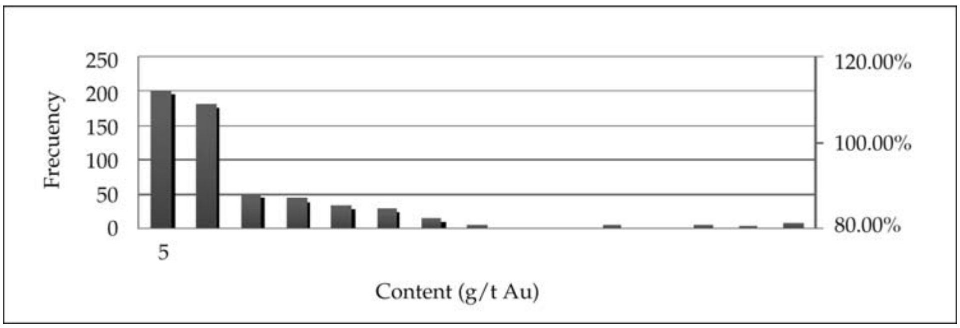


Figure 5-6 Orebody Ore Types – Cutoff Grade 3g/t

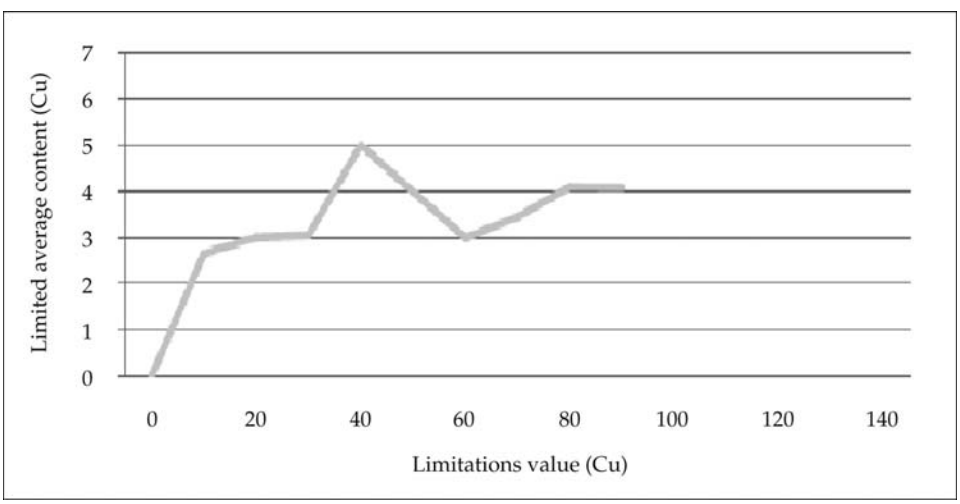


Figure 5-7 Copper Content Curve – within 3.15% Grade

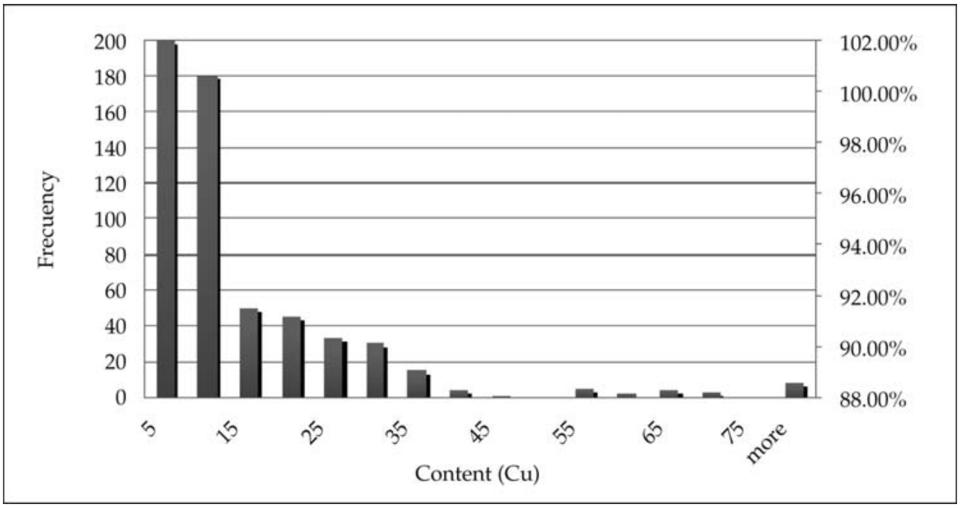


Figure 5-8 Copper Content Histogram – within 1% Grade

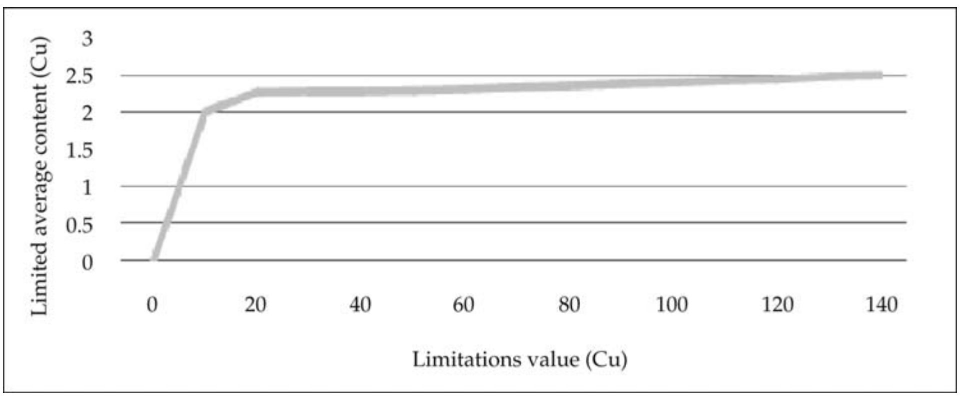


Figure 5-9 Copper Content Curve – within 1% Grade

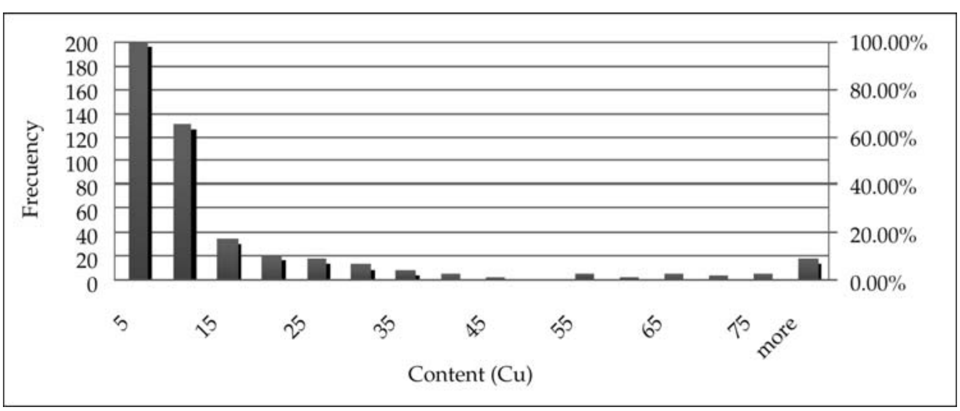


Figure 5-10 Copper Content Histogram – within 0.26% Grade

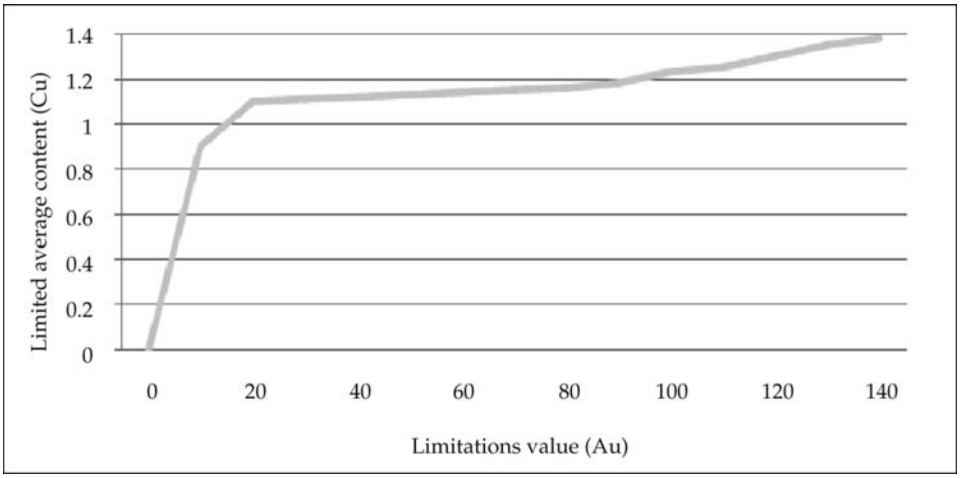


Figure 5-11 Copper Content Curve – within 0.5g/t Grade

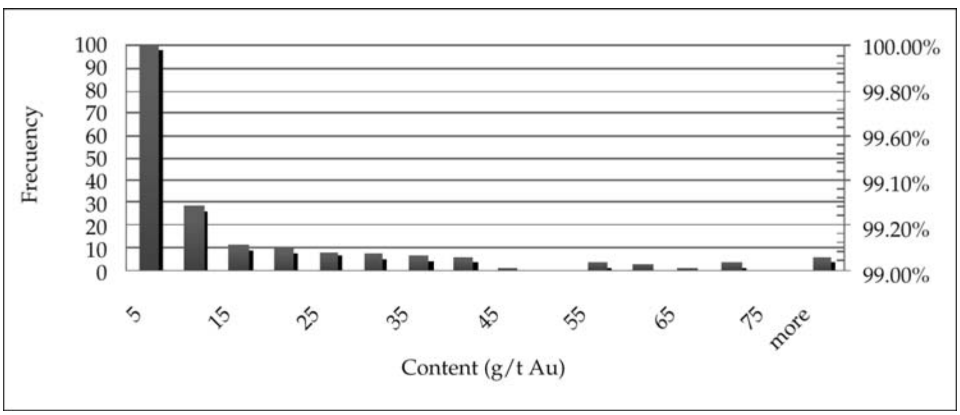


Figure 5-12 Copper Content Histogram – Stockwork Orebody

Table 5-1 Limitation levels of highest copper content

Wireframe	High Grade's Limitation	Limited Average Content
4.06%	40	4.58%
2%	36	2.3%
0.26%	31	0.35%
Stockwork	34	0.53%

5.1.7 Density

An average bulk density of 2.70t/m^3 was used to convert volume of mineralized blocks to tonnes. Most of the data supporting the bulk density were provided from specific gravity core samples at intervals every 10m in mineralization and 20m in host rocks. Water immersion tests were conducted to determine the density for 151 core samples. Core was waxed before immersion to preserve any voids. Values ranged from 2.58–2.92t/m^3 and averaged 2.70t/m^3. The maximum difference between the average and end range values is 8%, and the density was 2.70 +/-0.12 at 95% confidence limits, which indicates a small range variance (4%) for most of the measurements taken for a variety of lithology. Average density of overburden sediment is 1.90 t/m^3.

5.1.8 Variography

Variograms identified on the composites were controlled by high grade within the mineralized zones. It showed Variograms for down hole, and the three major axes of the interpreted orientation. Parameters for search ellipse orientation, search distance, and variogram models are listed at Table 4-6.

1st zone sample data was compared with the results with the grade interpolation parameters employed in developing the resource model. Research distance used has been somewhat longer than the variograms indicated. They recommended that further variography analysis be carried out in the next round of resource estimation.

Table 5-2 Kriging Parameters

Visible	2% Copper Grade	1% Copper Grade	0.26% Copper Grade	Stockwork
Searching ellipsoid direction				
Basic Axes (X)	046º/-30º	046º/00º	020º/00º	010º/00º
Middle Axes (Y)	226º/-60º	000º/-90º	000º/-90º	000º/-90º
Small Axes (Z)	316º/00º	316º/00º	316º/00º	290º/00º
Searching ellipsoid				
X (m)	60	65	50	25
Y (m)	60	40	50	25
Z (m)	10	15	10	10
The limited searching within upper than 2% copper grade				
X (m)	n/a	n/a	25	15
Y (m)	n/a	n/a	25	15
Z (m)	n/a	n/a	10	5
Nugget (Co)	0.22	0.17	0.3	0.3
Model-1				
Distance X (m) – E – W	20	25	20	20
Distance Y (m) – N – S	18	15	15	15
Distance Z (m) – Vertical	4	6	8	8
Sill (C_1)	0.26	0.54	1.6	1.6
Model-2				
Distance X (m) – E – W	40	50	71	71
Distance Y (m) – N – S	55	35	68	68
Distance Z (m) – Vertical	6	13	15	15
Sill (C_2)	0.27	0.28	0.5	0.5
Total Sill	0.75	0.99	2.4	2.4

5.1.9 BlockModel Grade Interpolation

1st zone has been built on the block models supposed to determine the mineralized zones value and contents. Grades for blocks within or partly within the mineralized zone are estimated using only composite values within the mineralized zone. We used all saprolite, transitional and rock data together for interpolation without regard to the weathering zone boundaries. Block dimensions were ten meters northeast-southwest, five meters northwest-southeast and five meters vertical.

Assignment of grades to each mineralized block was done by using the defined search ellipsoid and ranges, and the grade interpolation was by ordinary kriging of the capped 1.5 m composites based on a minimum of two and a maximum of 12 composites.

Within the 1.5% and 1% zones, only composite samples within each zone were used to interpolate block grades within each zone. This prevents the smearing of high grade gold values outside these zones. The boundary between the Stockwork and 0.26% shells is not well defined; therefore, blocks within these zones could only use composite data from either zone but could not use data from the 1% and 2% zones.

Within the copper grade in stockwork, where the spatial continuity of the 4.06% high grades is less well defined. A restrictive kriging method, which limits the search ellipse of composites greater than 2% copper, was used to limit the smearing of high-grade assays.

In conjunction with the grade interpolation, the mean distance (in meters) of all the samples used from the block being interpolated was recorded in a separate model to be used for block resource classification. At the Gemcom program, it defined volume percentage of each 10 x 5 x 5 m blocks within the mineralized zone. The volume of each block in the zone is accumulated to obtain the total volume for the mineralized zone. This method can provide ore body's any value and can provide detailed calculation.

5.1.10 Comparison statistic of block composites

Table 4-4 is reviewing the basic statistics database of the blocks compared to the composites that were used to interpolate the blocks in the model. Many of the blocks are partial blocks since Gemcom uses a percentage of the block volume contained within the wireframe envelope of the mineralized zone.

Table 5-3 Comparison statistic of the 1% and 2% grade composite's blocks

Visualision	**1% Copper Grade**		**2% Copper Grade**	
	Composites Limitation (tons)	*Blocks*	*Composites Limitation (tons)*	*Blocks*
Mean	2.28	1.98	6.02	6.06
Median	1.57	1.70	3.57	5.00
Standard Deviation	3.56	1.44	8.15	3.97
Variation Coefficient	1.56	0.73	1.35	0.66
Maximum	40.00	22.40	45.00	28.31
Quality	2.820	27.332	748.000	9.909

5.1.11 Resources division

The first resource estimation was planned and executed on 1 September 2009 to transfer from proposed resource to the indicated resource in 1st zone. During our estimation, peripheral resources are ignored and only highly potentially recoverable resources are changed into indicated resources. Therefore, it is expected that additional indicated resources can be identified after further exploration in the future.

The wireframes were uploaded into Gemcom and reviewed. The 2% shell was found to have several problems, most significantly: the wireframe shell did not snap correctly to the high grade assay intervals; and the 2% wireframe crosscut the 1% wireframe. Several problems were also found with the 1% wireframe, including: the "ends" do not extend half way to the next section, and the top did not extend up to the trench data at the oxidized bedrock surface. The 1% wireframe did, however, snap correctly to the drill hole assay data.

Given the above problems with the wireframes and the overall grade distribution at the Bor Teeg 1st Zone, we chose to use a modified version of the 1% copper. The weathering-type surfaces to extend beyond the 1g/t wireframe in all directions. Solids were constructed to represent volumes of oxide, transition, and fresh weathering types.

5.1.12 Confirmation of resource's estimation

The economic mining limits of the 1st zone deposit are based on the resource block model developed, as described in above. We evaluated the economic mining limits of the 1st zone deposit based on the resource block model developed and described above.

The key parameters modeled in the two resource block models are: in situ copper grade, specific gravity, ore type, rock type, ore block's percentage, mean sample distance, and block percentages by grade shell. There were also five solids defining the waste shell, grade shells (0.26%, 1%, 2%) and the stockwork shell. A file containing surfaces for topography, top of oxide and top of transition are included in the data package provided for the Study.

A specific gravity of $3t/m^3$ has been used for all materials in the resource model, including the oxide and overburden materials. The ore materials have been classified into one of either oxide or sulphide zones based on an interpreted oxidation limit. No transition ore has been identified separately from the sulphide material, since the metallurgical performance for both is assumed to be the same.

Mining cut-off grades have been calculated based on the economic factors outlined above. The mining cut-off grade refers to the grade at which all processing and overhead operating costs are covered by the value that is expected to be recovered from the ore material. Oxide and sulphide cut-off grades have been estimated separately, since their respective economic factors differ. There are summaries of the input factors and the resulting cutoff grades for each ore type.

5.2 "1st zone & 2nd zone" resources

Drilling and analysis database were enough for estimating measured and indicated resources. The following table showing resource's estimation in blocks high grade cut by 4.06% copper grade. Herein gold cut off grade is 0.26% is close number with average copper 1.68% contents, it is possible to merge them and ore resource is counted by 1.8g/t grade of gold. Copper grade is 0.65%.

The 2nd zone also has undertaken similar exploration programme consisting of geological mapping, geochemical prospecting and ground geophysics. Diamond drilling an geological section projections for resources evaluation were also carried out as part of the programme. As a consequence of these works, it was able to define that the mineral resources in 2nd zone of Bor-Teeg has 1.7 tonnes at 0.387g/t Au, 58.5 tonnes at 5g/t Ag and 1,307,534 tonnes at 1.3% Cu, at 0.26% Cu cut-off grade.

As a result of the drilling programme, a core recovery of 90% was achieved. The sampling was irregular (according to a geological logging) with collected samples between 1 to 2m in length in the mineralized zone and between 2 to 3m in barren places.

As part of the studies developed by ISE, a geological mapping was carried out at the scale of 1:2,000, seven trenches were opened, sampled and mapped. At this stage, rock samples were collected. Also, ground magnetic surveys and gravity surveys were carried out as well. The gravity results showed a clear correlation with the ore body and the magnetic results also helped to define the Cu mineralization at 2nd Zone.

Studies that have been conducted to date have shown that there is geological potential and might have an upside potential at 2nd zone of Bor-Teeg.

The model was validated by comparison with results of inverse distance squared interpolation using the same search parameters and grade capping. Differences between the models are small and well within overall data collection error. Block average grades were compared with composite and corresponding assay average grades during and after the development of the grade interpolation parameters. Block grades were examined on cross section to ensure reasonable correspondence in grades and distribution with composites.

In conclusion, main zone block model was valid, reasonable and appropriate for supporting the Mineral Resource estimate and to support a prefeasibility study. Consequently, that some assay data remains to be completed for drilling to November 2009 and drilling was on going.

Table 5.1 Gold Resource of the 1st Zone in the Bor Teeg Project

Resource Classification	Ore Resource	Average Grade			Metal Contents		
		Au	Ag	Cu	Au	Ag	Cu
	(tonne)	*(gram/tonne)*	*(gram/tonne)*	*(%)*	*(tonne)*	*(tonne)*	*(tonne)*
Measured Resource	5,836,840	2.189	17.433	0.06	1.26	19.25	3,336
Indicated Resource	5,284,220	3.047	19.855	0.05	0.51	37.61	2,642
Total	11,121,060	2.460	17.850	0.04	1.77	56.86	5,978

Table 5.2 Massive Copper-Sulfide Resource of the 1st Zone in the Bor Teeg Project

Resource Classification	Ore Resource	Average Grade			Metal Contents		
		Au	Ag	Cu	Au	Ag	Cu
	(tonne)	*(gram/tonne)*	*(gram/tonne)*	*(%)*	*(tonne)*	*(tonne)*	*(tonne)*
Measured Resource	3,289,770	0.405	5.126	1.682	0.62	48.94	55,318
Indicated Resource	4,843,820	0.37	5.44	1.53	0.10	32.05	74,110
Total	8,133,590	0.39	5.07	1.68	0.72	80.99	129,428

Table 5.3 Massive Copper-Sulfide Resource of the 2nd Zone in the Bor Teeg Project

Resource Classification	Ore Resource	Average Grade			Metal Contents		
		Au	Ag	Cu	Au	Ag	Cu
	(tonne)	*(gram/tonne)*	*(gram/tonne)*	*(%)*	*(tonne)*	*(tonne)*	*(tonne)*
Measured Resource	4,423,955	0.405	3.49	1.275	0.64	23.30	56,405
Inferred Resource	94,353,580	0.369	6.50	1.326	1.06	35.19	1,251,129
Total	98,777,535	0.387	4.995	1.301	1.70	58.49	1,307,534

Table 5.4 Total Resources of the Mine in the Bor Teeg Project

	Metal Contents		
Category	**Gold (t)**	**Silver (t)**	**Copper (t)**
Measured Resource	2.52	91.49	115,059
Indicated Resource	0.61	69.66	76,652
Inferred Resource	1.06	35.19	1,251,129
Total	4.19	196.34	1,442,940

5.3 Mongolian Mineral Resources/Reserves Classification System vs. JORC Code

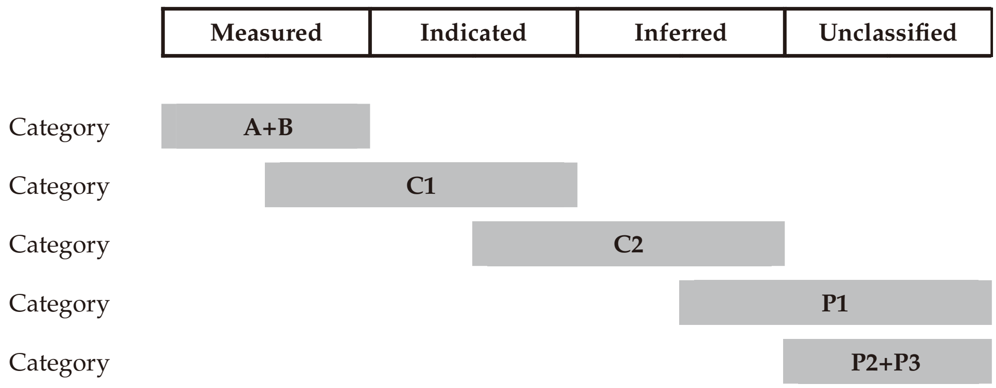
The methodology used to estimate resources and reserves in Mongolia is derived from Russia. The Russian system consists of seven categories that reflect increasing levels of reliability and depth of study. Essentially, it divides mineral concentrations into seven categories based on the level of exploration performed: A, B, C_1, C_2, P_1, P_2 and P_3. In principle, these follow a succession of approximations which are applied to various stages of exploration. This means that reserves or resources are assigned to classes based on the degree of their reliability and on their comparative importance.

International codes typically place ultimate responsibility for reports on a competent person or qualified person, whose professional judgment in applying the codes is the principal determinant in the figures which are presented. The reporting codes themselves do no more than provide a consistent framework within which reports are prepared. In contrast, the Russian system aims to achieve more objectivity. There is relative less space in the system for application of professional judgment.

In general, A and B resources require relatively extensive exploration and sampling; C1 resources require a sparse grid of sampling or underground works and C2 resources are based on relatively loose exploration grid and/or extrapolated from C1 resource areas. P1 resources are often based on sparse sampling data or extrapolation beyond C2 resources.

A broad comparison between the Mongolian Classification System and JORC Code is presented in the following as a guideline:

Table 5.8 Reconciliation of Russian and International Reporting Systems



The following is the text of letter, summary of values and valuation certificate on property interests of the Group as at 28 February 2010 prepared by LCH (Asia-Pacific) Surveyors Limited for the purpose of inclusion in this circular.

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

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards, Eighth Edition, 2007 (the "IVS") published by the International Valuation Standards Committee as well as the HKIS Valuation Standards on Properties, First Edition, 2005 (the "HKIS Standards") published by the Hong Kong Institute of Surveyors (the "HKIS"). Both standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusions.

9 April 2010

17th Floor
Champion Building
Nos. 287–291 Des Voeux Road Central
Hong Kong

The Board of Directors
Solartech International Holdings Limited
Workshop 7 on 2/F
Kingsford Industrial Centre
13 Wang Hoi Road
Kowloon Bay, Kowloon
Hong Kong

Dear Sirs,

In accordance with your instructions to us to value the properties in which Solartech International Holdings Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter together with the Company referred to as the "Group") have interests in Hong Kong and in the People's Republic of China (hereinafter referred to as the "PRC" or "China") for the Company's internal management reference purpose, we confirm that we have made relevant enquiries and obtained such further information as we consider necessary to support our opinion of values of the properties as at 28 February 2010 (hereinafter referred to as the "Date of Valuation").

We understand that the management of the Company will incorporate our work product (i.e. this letter, the summary of values and the valuation certificate) as part of its business due diligence and we have not been engaged to make specific sale or purchase recommendations. We further understand that the use of our work product will not supplant other due diligence which the management of the Company should conduct in reaching its business decisions regarding the properties valued. Our work is designed solely to provide information that will give the management of the Company a reference to form part of its internal due diligence, and our work should not be the only factor to be referenced by the Company.

BASIS OF VALUATION AND ASSUMPTIONS

According to the IVS, which the HKIS Standards also follows, there are two valuation bases in valuing property, namely market value basis and valuation bases other than market value. Our valuations of the properties are on market value basis.

Market Value is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the properties, we have assumed that the Group has free and uninterrupted rights to use the properties for the whole of the unexpired terms as granted and has the rights to freely assign, let or mortgage the properties. We have also assumed that any premiums payable have already been paid in full.

Our valuations have been made on the assumption that each of the owners sells its relevant property interest on the open market in its existing states without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property interest.

Properties in Groups I and II have been valued with the benefit of vacant possession by using Sales Comparison Approach. This approach considers the sales, listing or offerings of similar or substitute properties and related market data establishes a value estimate by processes involving comparison. The underlying assumption of this approach is that an investor will pay no more for a property than he or she would have to pay for a similar property of comparable utility.

In valuing the property in Group I in which the Government Lease had already expired before 30 June 1997, we have taken into account the provisions of Annex III of the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the PRC on the question of Hong Kong and the Government Leases Ordinance (Chapter 40 of the Laws of Hong Kong). According to the above document and ordinance, the lease had already been extended without premium until 30 June 2047, and that an annual rent at three per cent. of the rateable value of the property has been charged from the date of extension.

In valuing the properties in Group III, we have adopted the Depreciated Replacement Cost (the "DRC") Method which is an application of the Cost Approach. The DRC Method is a procedural value based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements erected thereon, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation.

For owner occupied specialised properties where it is impracticable to identify the market value by market comparison basis, the DRC Method is considered as the most appropriate method. The underlying theory of this basis is the market value of the valued property should, at least, be equivalent to the replacement cost of the remaining service potential of the valued property i.e. the DRC of the valued property.

Specialised properties are defined as certain types of properties which are rarely, if ever, sold in the market, except by way of a sale of the business or entity of which they are a part (called the business in occupation), due to uniqueness arising from their specialised nature and design, their configuration, size, location or otherwise. Examples are: standard properties, for operational or business reasons, located in particular geographical areas and remote from main business centres that are of such an abnormal size for that district, that there would be no market for such buildings there; buildings and site engineering works that are related directly to the business of the owner, as it is highly unlikely that they would have a value to anyone other than a company acquiring the undertaking; and properties of such construction, arrangement, size or specification that there would be no market (for a sale to a single owner occupier for the continuation of existing use) for those buildings. Having considered the inherent and general characteristics of the properties in Group III, we are of the opinion that the properties are specialised properties.

The use of the DRC Method to these properties is subject to the adequate potential profitability of the business having due regard to the values of the total assets employed and the nature of the operation.

By using the DRC Method, the land should be assumed to have the benefit of having obtained planning permission for the replacement of the existing buildings and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing buildings and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the buildings, the gross replacement cost of the buildings should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are at the date of valuation which are fit for and capable of being occupied and used for the current use. These estimated costs are not for erecting buildings in the future but for providing buildings to be available for occupation at the date of valuation, the work having commenced at the appropriate time.

The current status of the properties in Groups II and III regarding major approvals, consents or licences required in the PRC is set out as follows:

Property	Enterprise Legal Person Business Licence	Contract for the Grant of State-owned Land Use Rights/ Contract for the Transfer of Stated-owned Land Use Rights or equivalent	State-owned Land Use Rights Certificate/Realty Title Certificate
Property 2	Yes	Yes	Yes
Property 3	Yes	Yes	Yes
Property 4	Yes	Yes	Yes
Property 5	Yes	Yes	Yes
Property 6	Yes	Yes	Yes
Property 7	Yes	Yes	Yes
Property 8	Yes	Yes	Yes
Property 9	Yes	Yes	Yes

MATTERS THAT MIGHT AFFECT THE VALUES REPORTED

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

As at the Latest Practicable Date of this circular, we were unable to identify any adverse news against the properties which may affect the reported values in this report. Thus, we are not in the position to report and comment on its impact (if any) to the properties. However, should it be established subsequently that such news did exist at the Date of Valuation, we reserve the right to adjust the values reported herein.

ESTABLISHMENT OF TITLES

For the property in Group I, we have conducted searches in the Land Registry of Hong Kong. However, we have not inspected the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We have been provided with copies of the title documents regarding the properties in Groups II and III. Due to inherent defects in the land registration system of China, we are unable to inspect the original documents from the relevant land registration departments to verify the existing titles of the properties or any material encumbrances that might be attached to the properties. We are not in the legal profession and we are unable to ascertain the titles and to report on any encumbrances that may be registered against the properties. However, we have relied solely on the copies of the PRC legal opinions dated 31 December 2009 for Property Nos. 2, 3 and 9, and dated 31 December 2009 for Property Nos. 4, 5, 6, 7 and 8 as provided by the management of the Company with regard to the Group's titles on the properties as disclosed in the attached valuation certificate. We are given to understand that the PRC legal opinions were prepared by qualified PRC legal advisers Shanghai Zhuji Law Firm (上海市珠璣律師事務所) and Wisewin Law Firm (廣東瀚杰律師事務所), respectively. No responsibility or liability is assumed from our part.

In our valuations, we have assumed that the Group has obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the Group to continue the ownership of the properties. Should this not be the case, it will affect our conclusion in this report significant. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTIES IN ACCORDANCE WITH VS4 OF THE HKIS STANDARDS

We have inspected the exterior, and where possible, the interior of the properties in respect of which we have been provided with such information as we have requested for the purpose of our valuations. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advise upon the condition of uninspected parts and the attached summary of values and valuation certificate should not be taken as making any implied representation or statement about such parts. No structural survey, investigation or examination has been made, but in the course of our inspections we did not note any serious defects in the properties valued. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the services (if any) and we are unable to identify those services either covered, unexposed or inaccessible.

We have not carried out on-site measurements to verify the correctness of the floor areas of the properties, but have assumed that the floor areas shown on the documents and official floor plans handed to us are correct. All dimensions, measurements and areas are approximations.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the properties, or have since been incorporated into the properties, and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigation would not disclose the presence of any such materials to any significant extent.

Our engagement did not include land survey to verify the legal boundaries and the exact location of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the representation of the Group's personnel with regard to the legal boundaries and location of the properties. No responsibility is assumed in this regard.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw our attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the properties. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the values now reported.

SOURCES OF INFORMATION AND ITS VERIFICATION IN ACCORDANCE WITH VS5 OF THE HKIS STANDARDS

We have relied solely on the information provided by the management of the Company or its appointed personnel and have accepted advice given to us on such matters as planning approvals or statutory notices, titles, easements, tenure, occupation, site and floor areas and all other relevant matters.

The scope of valuation has been determined by reference to the property list provided by the management of the Company. All properties on the list have been included in our valuations. The management of the Company has confirmed to us that the Group has no property interests other than those disclosed in our report.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

When we adopted the work products from other professions, external data providers and/or the management of the Company in our valuations, the assumptions and caveats adopted by them in arriving at their opinions also applied in our valuations. The procedures we have taken do not require us to examine all the evidences, like an auditor, in reaching at our opinion. As we have not performed an audit, we are not expressing an audit opinion in our valuations.

To the best of our knowledge, all data set forth in the attached valuation certificate are true and accurate. Although gathered from reliable sources, no warranty is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others which have been used in formulating the attached valuation certificate.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company. Also, we have sought and received confirmation from the management of the Company that no material factors have been omitted from the information supplied. Our analysis and valuations are based upon full disclosure between us and the Company of material and latent facts that may affect our valuations.

We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Hong Kong dollars ("HK$"). In valuing the properties in Groups II and III, the adopted exchange rates were the prevailing rate as at the Date of Valuation, being Renminbi Yuan (RMB) 0.8805 per HK$1 and no significant fluctuation in exchange rate has been found between that date and the date of this report.

LIMITING CONDITIONS

Our opinion of values of the properties in this report is valid only for the stated purpose and only for the Date of Valuation, and for the sole use of the named Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and the valuer accepts no responsibility whatsoever to any other person.

Our valuations have been made on the assumption that no unauthorised alteration, extension or addition has been made in the properties (including the use of rot and inherently dangerous or unsuitable materials and techniques). The attached valuation certificate should not be used as a building survey of the properties.

No responsibility is taken for changes in market conditions and local government policy and no obligation is assumed to revise our report to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this circular for the Company's shareholders' reference.

Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our work product except to the extent any such loses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

Our report is prepared in line with the requirements contained in Chapter 5 and Practice Note 12 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the guidelines contained in the HKIS Standards. The valuations have been undertaken by valuer (see Note), acting as external valuer, qualified for the purpose of the valuation.

We retain a copy of this report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Company's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have no significant interest in the properties, the Group or the values reported.

Our valuations are summarised below and the valuation certificate is attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited
Elsa Ng Hung Mui
B.Sc. M.Sc. RPS(GP)
Director

Contributing valuer:
Eugene Lai Chung Yee *A.Sc.*

Note: Ms. Elsa Ng Hung Mui is a Registered Professional Surveyor who has been conducting valuation of real estate properties in Hong Kong since 1994 and has more than 10 years of experience in valuing properties in mainland China. She is a Member of the HKIS and also a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.

SUMMARY OF VALUES

Group I – Property owned and occupied by the Group in Hong Kong and valued on the basis of Market Value

	Property	Amount of valuations in existing state as at 28 February 2010 *HK$*	Interest attributable to the Group	Amount of valuations in existing state attributable to the Group as at 28 February 2010 *HK$*
1.	Workshop 5 on 1st Floor Workshop 7 with 2 Lightwell Spaces on 2nd Floor Car Park Nos. L1, P4 and L5 on 1st Floor and Nos. P2 and P3 on Ground Floor Kingsford Industrial Centre No. 13 Wang Hoi Road Kowloon Bay Kowloon Hong Kong	18,000,000	100 per cent.	18,000,000
			SUB-TOTAL:	**HK$18,000,000**

Group II – Property held and occupied by the Group in the PRC and valued on the basis of Market Value

	Property	Amount of valuations in existing state as at 28 February 2010 *HK$*	Interest attributable to the Group	Amount of valuations in existing state attributable to the Group as at 28 February 2010 *HK$*
2.	House W22 Tomson Golf Villa Phase 2 No. 1 Longdong Avenue Pudong New District Shanghai The PRC	33,000,000	100 per cent.	33,000,000
			SUB-TOTAL:	**HK$33,000,000**

Group III – Properties held and occupied by the Group in the PRC and valued on the basis of Market Value

	Property	Amount of valuations in existing state as at 28 February 2010	Interest attributable to the Group	Amount of valuations in existing state attributable to the Group as at 28 February 2010
		HK$		*HK$*
3.	A factory complex held by Shanghai Chau's Electrical Co., Ltd. and located at No. 6098 of Hu Qing Ping Main Road (also known as No. 318 National Route) Zhu Jia Jiao Town, Qing Pu Shanghai The PRC	10,370,000	100 per cent.	10,370,000
4.	A factory complex erected on a parcel of land and located at Qiao Zi Administrative District (also known as Niu Tan) Changping Town Dongguan Guangdong Province The PRC	59,180,000	100 per cent.	59,180,000
5.	A factory complex erected on a parcel of land and located at Tang Jiao Administrative District Bu Tian Tang Jiao Changping Town Dongguan Guangdong Province The PRC	52,240,000	100 per cent.	52,240,000

Property	Amount of valuations in existing state as at 28 February 2010 *HK$*	Interest attributable to the Group	Amount of valuations in existing state attributable to the Group as at 28 February 2010 *HK$*
6. A factory complex occupied by Xin Bao Precision Chemical Co., Ltd. and erected on a parcel of land, and located at Huanchang North Road (formerly known as Beihuan Road) Changping Town Dongguan Guangdong Province The PRC	35,670,000	86 per cent.	30,680,000
7. A factory complex erected on a parcel of land and located at Huanchang North Road (formerly known as Beihuan Road) Mu Lun Administrative District Bu Tian Changping Town Dongguan Guangdong Province The PRC	52,570,000	100 per cent.	52,570,000
8. A parcel of land located at Huanchang North Road (formerly known as Beihuan Road) Changping Town Dongguan Guangdong Province The PRC	36,920,000	100 per cent.	36,920,000

	Property	Amount of valuations in existing state as at 28 February 2010 *HK$*	Interest attributable to the Group	Amount of valuations in existing state attributable to the Group as at 28 February 2010 *HK$*
9.	A parcel of land located at Zhang Chun Gang Road Anling Village Xie Qiao Zhen Jingjiang Taizhou City Jiangsu Province The PRC	7,230,000	100 per cent.	7,230,000
			SUB-TOTAL:	**HK$249,190,000**
			GRAND TOTAL:	**HK$300,190,000**

VALUATION CERTIFICATE

Group I – Property owned and occupied by the Group in Hong Kong and valued on the basis of Market Value

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributable to the Group as at 28 February 2010
1.	Workshop 5 on 1st Floor, Workshop 7 with 2 Lightwell Spaces on 2nd Floor Car Park Nos. L1, P4 and L5 on 1st Floor and Nos. P2 and P3 on Ground Floor Kingsford Industrial Centre No. 13 Wang Hoi Road Kowloon Bay Kowloon Hong Kong 507/6,873rd shares of and in New Kowloon Inland Lot No. 5834	The property comprises two factory units, two lorry parking spaces and three private car parking spaces of a 13-storey industrial building which was completed in 1986. According to the information made available to us, the factory units have a total gross floor area and a total saleable area of approximately 10,625 sq.ft. (987.09 sq.m.) and 9,775 sq.ft. (908.12 sq.m.), respectively. There is a flat roof of approximately 82 sq.ft. (7.62 sq.m.). Under Section 3 of the Government Leases Ordinance, the lease term of the Government Lease had already extended to 30 June 2047 at a Government Rent of 3 per cent. of the rateable value for the time being of the property.	The property is occupied by the Group for storage, ancillary office, canteen and parking spaces purposes.	HK$18,000,000 (100 per cent.)

Notes:

1. The registered owner of the property is Chau's Electrical Company Limited, a wholly-owned subsidiary of the Company, vide three Assignments: (i) for Workshop 5 on 1st Floor, Workshop 7 with 2 Lightwell Spaces on 2nd Floor and Car Park Nos. L1 and P4 on 1st Floor registered in the Land Registry by Memorial No. 3235917 on 16 December 1986; (ii) for Car Park No. P2 and P3 on Ground Floor registered in the Land Registry by Memorial No. 3618953 on 10 February 1988; and (iii) for Car Park No. L5 on 1st Floor registered in the Land Registry by Memorial No. 4107565 on 10 June 1989.

2. Part of the property (Workshop 5 on 1st Floor, Workshop 7 with 2 Lightwell Spaces on 2nd Floor and Car Park Nos. L1 and P4 on 1st Floor) is subject to a mortgage in favour of DBS Bank (Hong Kong) Limited to secure general banking facilities to any extent registered in the Land Registry by Memorial No. 09092402170218 on 24 September 2009.

Group II – Property held and occupied by the Group in the PRC and valued on the basis of Market Value

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributable to the Group as at 28 February 2010
2.	House W22 Tomson Golf Villa Phase 2 No. 1 Longdong Avenue Pudong New District Shanghai The PRC	The property comprises a 3-storey detached garden house with a garage and an open garden erected on a parcel of land having a site area of approximately 1,066.03 sq.m. which was completed in about 2000. The property has a gross floor area of approximately 736.08 sq.m. The property is subject to a right to use the land for a term commencing from 24 May 2001 to 30 April 2064.	The property is currently occupied by the Group for residential purpose.	HK$33,000,000 (100 per cent.)

Notes:

1. According to a copy of Sales and Purchase Agreement provided by the Company, Crown Earth Investments Limited, a wholly-owned subsidiary of the Company, entered into a presale contract (預售合同) with Thomson Golf (Shanghai) Company Limited (translation from Chinese) on 27 December 1999 and 6 March 2000, respectively.

2. Pursuant to a Realty Title Certificate known as Hu Feng Di Shi Zi (2001) Di 004191 Hao (滬房地市字(2001)第004191號) issued by the Building and Land Management Bureau of Shanghai dated 13 June 2001, the legally interested party in the building on the land having a site area of 1,066.03 sq.m. and a total gross floor area of approximately 736.08 sq.m. is 國娛投資有限公司 (i.e. Crown Earth Investments Limited). According to this Certificate, the land has been granted to Crown Earth Investments Limited for a term from 24 May 2001 to 30 April 2064 and for townhouse usage.

3. According to the legal opinion dated 31 December 2009 and prepared by the Company's PRC legal adviser, Shanghai Zhuji Law Firm (上海市珠璣律師事務所), Crown Earth Investments Limited is the legally interested party in the property and has the rights to transfer, lease or mortgage the property.

Group III – Properties held and occupied by the Group in the PRC and valued on the basis of Market Value

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributable to the Group as at 28 February 2010
3.	A factory complex held by Shanghai Chau's Electrical Co., Ltd. and located at No. 6098 of Hu Qing Ping Main Road (also known as No. 318 National Route) Zhu Jia Jiao Town Qing Pu Shanghai The PRC	The property is erected on a parcel of land having a site area of approximately 13,901 sq.m. There are 12 various buildings and structures erected on the subject land. The buildings are of single storey to 3-storey in height and were completed between 1996 and 2006. The property has a total gross floor area of approximately 6,027 sq.m. *(see Notes 4 and 5 below for the breakdown).* The property is subject to a right to use the land for a term of 50 years from 14 November 1997 to 13 November 2047.	The property is currently occupied by the Group for manufacturing and supporting purposes.	HK$10,370,000 (100 per cent.)

Notes:

1. According to a copy of the title document provided by the Company, the right to possess the land is held by the State and the right to use the land has been granted by the State to Shanghai Chau's Electrical Co., Ltd. through a Realty Title Certificate known as Hu Feng Di Qing Zi (1999) Di 002688 Hao and dated 3 August 1999. According to this Certificate, the land has been granted to Shanghai Chau's Electrical Co., Ltd. for a term of 50 years from 14 November 1997 to 13 November 2047. The land is restricted for industrial usage.

2. We are given to understand that Shanghai Chau's Electrical Co., Ltd. is an equity joint venture and the Group owned 100 per cent. equity interest of the company.

3. We noticed that there is a single storey air-compressor room with a water tank, an electric room, a guard house and 2 sheds erected on the subject land, and there are also three extensions adjoining to the ground floor of the 2-storey workshop and used for manufacturing and storage purposes. For the purpose of this valuation, we have taken into account of such extensions and additions. No responsibility is assumed for our interpretation of the existing status of these extensions and additions (see Note 5 below for detailed area).

4. Pursuant to the Realty Title Certificate, the legally interested party in the various building and structures erected on the land as mentioned in Note 1 above and having a total gross floor area of approximately 5,092 sq.m. is Shanghai Chau's Electrical Co., Ltd., and for a term of 50 years from 14 November 1997 to 13 November 2047 for industrial purpose. The area breakdown for each of the buildings covered in the Certificate is as follows:

		Year of Completion	Gross Floor Area *(sq.m.)*
(i)	A single-storey canteen-workshop block	1996	849.00
(ii)	A single-storey storeroom	1996	15.00
(iii)	A 2-storey workshop	1996	3,367.00
(iv)	A 3-storey office-staff quarter block	1996	861.00
		Total:	5,092.00

5. There are various buildings and structures without any Realty Title Certificate but have a total gross floor area of approximately 935.00 sq.m. were erected on the land. They are listed as follows:

		Year of Completion	Gross Floor Area *(sq.m.)*
(i)	A single-storey extension to the existing 2-storey workshop (Workshop Extension A)	2001	648.00
(ii)	A single-storey extension to the existing 2-storey workshop (Workshop Extension B)	2003	42.00
(iii)	A single-storey extension to the existing 2-storey workshop (Storeroom Extension C)	2006	20.00
(iv)	A single-storey electric room	2001	15.00
(v)	A single-storey compressor room	2001	15.00
(vi)	A single-storey guardhouse	2001	15.00
(vii)	Two sheds for open storage	2002	180.00
		Total:	935.00

6. The property is subject to a mortgage in favour of Agricultural Bank of China Limited Shanghai Qingpu Branch dated 29 October 2009 and registered under Maximum Limit of Collateral Contract No. 31906200900000694.

7. According to the legal opinion dated 31 December 2009 and prepared by the Company's PRC legal adviser, Shanghai Zhuji Law Firm (上海市珠璣律師事務所), Shanghai Chau's Electrical Co., Ltd. is the legally interested party in the property and has the rights to transfer, lease or mortgage the property without further premium required.

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributable to the Group as at 28 February 2010
4.	A factory complex erected on a parcel of land and located at Qiao Zi Administrative District (also known as Niu Tan) Changping Town Dongguan Guangdong Province The PRC	The property is erected on a parcel of land having a site area of approximately 30,096 sq.m. The property comprises four 3-storey (excluding roof) industrial buildings, two single storey power generation rooms, two boiler houses and a mechanical room which were completed between 1995 and 1999. The property has a total gross floor area of approximately 42,860.78 sq.m. *(see Note 4 below for the breakdown).* The property is subject to a right to use the land for a term of 50 years commencing from 17 September 1996 to 16 September 2046.	The property is occupied by the Group for industrial, storage, ancillary office and other ancillary facilities purposes.	HK$59,180,000 (100 per cent.)

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to Chau's Electrical (BVI) Company Limited (周氏電業(海外)有限公司), a wholly-owned subsidiary of the Company, through a State-owned Land Use Rights Certificate – Dong Fu Guo Yong (1996) Zi Di Te 290 Hao (東府國用(1996)字第特290號) dated 23 September 1996 and issued by the People's Government of Dongguan City (東莞市人民政府) for a term of 50 years commencing from 17 September 1996 to 16 September 2046. The land is restricted for industrial workshop purpose.

2. Pursuant to three various Realty Title Certificates – Yue Fang Di Zheng Zi Di C2882160 Hao (粵房地證字第C2882160號), Yue Fang Di Zheng Zi Di C2882159 Hao (粵房地證字第C2882159號) and Yue Fang Di Zheng Zi Di C2882158 Hao (粵房地證字第C2882158號) all dated 24 September 2004 and issued by the People's Government of Dongguan City (東莞市人民政府) regarding major buildings and structures as mentioned in Note 4 below, the legally interested party in the property is Chau's Electrical (BVI) Company Limited (周氏電業(海外)有限公司).

3. The property is subject to a mortgage in favour of Bank of China Limited Dongguan Branch dated 14 June 2007 and registered under Maximum Limit of Collateral Contract No. GDY475970120070003.

4. A detailed breakdown of gross floor area of each of the major buildings and structures is as follows:

Realty Title Certificate No. Yue Fang Di Zheng Zi Di C	**Buildings (no. of storey and excluding roof)**	**Gross Floor Area** *(sq.m.)*
2882160 Hao	Workshops A, B, C and D (3-storey)	41,837.86
2882159 Hao	Power Generation Room 1 (single storey)	479.92
2882158 Hao	Power Generation Room 2 (single storey)	111.00
N/A	Two Boiler Houses (single storey)	343.20
N/A	Mechanical Room (single storey)	88.80

5. According to the legal opinion prepared by the Company's PRC legal adviser, Wisewin Law Firm (廣東瀚杰律師事務所), Chau's Electrical (BVI) Company Limited is the legally interested party in the property and has the rights to transfer, lease or mortgage the property.

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributable to the Group as at 28 February 2010
5.	A factory complex erected on a parcel of land and located at Tang Jiao Administrative District Bu Tian Tang Jiao Changping Town Dongguan Guangdong Province The PRC	The property is erected on a parcel of land having a site area of approximately 21,437.04 sq.m. The property comprises two workshops with heights ranged from 1 to 4-storey, a 6-storey (excluding roof) composite building, four 7-storey (excluding roof) dormitory buildings and two guard houses which were completed between 1996 and 1999. The property has a total gross floor area of approximately 42,704.81 sq.m. *(see Note 4 below for the breakdown).* The property is subject to a right to use the land for a term of 50 years commencing from 21 October 1996 to 20 October 2046.	The property is occupied by the Group for industrial, storage, ancillary office, dormitory, canteen and other ancillary facilities purposes.	HK$52,240,000 (100 per cent.)

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to Chau's Electrical (BVI) Company Limited (周氏電業(海外)有限公司, a wholly-owned subsidiary of the Company, through a State-owned Land Use Rights Certificate – Dong Fu Guo Yong (1996) Zi Di Te 349 Hao (東府國用(1996)字第特349號) dated 17 April 2002 and issued by the People's Government of Dongguan City (東莞市人民政府) for a term of 50 years commencing from 21 October 1996 to 20 October 2046. The land is restricted for industrial workshop and other ancillary facilities purposes.

2. Pursuant to five various Building Ownership Certificates – Yue Fang Di Zheng Zi Di 1481471 Hao (粵房地證字第1481471號), Yue Fang Di Zheng Zi Di 1481472 Hao (粵房地證字第1481472號), Yue Fang Di Zheng Zi Di 1481473 Hao (粵房地證字第1481473號), Yue Fang Di Zheng Zi Di 1481474 Hao (粵房地證字第1481474號) and Yue Fang Di Zheng Zi Di 1481475 Hao (粵房地證字第1481475號) all dated 9 October 1998 and issued by the People's Government of Dongguan City (東莞市人民政府) regarding major buildings and structures mentioned in Note 4 below, the legally interested party in the property is Chau's Electrical (BVI) Company Limited (周氏電業(海外)有限公司).

3. Pursuant to two various Certificates of Completion Work dated 10 January 2000, construction work for two workshops having a total gross floor area of approximately 7,448 sq.m. was completed on 28 January 1999. According to the information provided to us by the management of the Company, we are given to understand that Building Ownership Certificate of the workshops are under application.

4. A detailed breakdown of gross floor area of each of the major buildings and structures is as follows:

Building Ownership Certificate No. Yue Fang Di Zheng Zi Di	**Buildings (no. of storey and excluding roof)**	**Gross Floor Area** *(sq.m.)*
1481472, 1481473, 1481474 and 1481475 Hao	4 Dormitory Buildings (6-storey)	14,145.92
1481471 Hao	Composite Building (5-storey)	12,518.11
N/A	Workshop E (1 to 3-storey)	7,552.00
Under Application	Workshop F (4-storey)	7,448.00
N/A	Extension to Workshop E (concrete structure and steel frame structure)	687.96
N/A	Commercial building (single storey, converted from 2 guard houses)	343.52
N/A	Guardhouse (single storey)	9.30

5. The property is subject to a mortgage in favour of Bank of China Limited Dongguan Branch dated 14 June 2007 and registered under Maximum Limit of Collateral Contract No. GDY475970120070003.

6. According to the legal opinion prepared by the Company's PRC legal adviser, Wisewin Law Firm (廣東瀚杰律師事務所), Chau's Electrical (BVI) Company Limited is the legally interested party in the property and has the rights to transfer, lease or mortgage the property.

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributable to the Group as at 28 February 2010
6.	A factory complex occupied by Xin Bao Precision Chemical Co., Ltd. and erected on a parcel of land, and located at Huanchang North Road (formerly known as Beihuan Road) Changping Town Dongguan Guangdong Province The PRC	The property is erected on a parcel of land having a site area of approximately 40,470 sq.m. There are 12 various buildings and structures erected on the subject land. The buildings and structures are of single storey to 4-storey in height and were completed between 2000 and 2003. The property has a total gross floor area of approximately 21,303.90 sq.m. *(see Note 4 below for the breakdown).* The property is subject to a right to use the land for a term of 50 years commencing from the issue date of the State-owned Land Use Rights Certificate.	The property is occupied by the Group for industrial, storage, ancillary office, dormitory and other ancillary facilities purposes.	HK$35,670,000 (100 per cent.) HK$30,680,000 (86 per cent.)

Notes:

1. Pursuant to a Contract for the Transfer of State-owned Land Use Rights (the "Transfer Contract") dated 28 January 1999, a parcel of land having a site area of approximately 215.18 Mu (143,454.05 sq.m.) was transferred by the People's Government of Changping Town (Asset and Property Management Company) 常平鎮人民政府 (資產物業管理公司) to Dongguan Hui Yi Brass Products Co., Ltd. (東莞華藝銅業有限公司) for construction of workshops and other ancillary facilities for a term of 50 years commencing from the issue date of the State-owned Land Use Rights Certificate. The subject land together with Property No. 8 as detailed below form the land under this Transfer Contract.

2. According to the Construction Land Use Planning Permit No.2002-23-00015 dated 2 April 2002 issued by the Construction and Planning Bureau of Dongguan City, a parcel of land having a site area of approximately 40,470 sq.m. was transferred to 東莞新寶精化有限公司 Dongguan Xinbao Precision Chemical Co., Ltd. for construction of workshops and other ancillary.

3. In the course of our valuation, we have assumed that the Group has settled the acquisition cost in full and no additional premium is required for the application of the relevant certificates.

4. A detailed breakdown of gross floor area of each of the major buildings and structures is as follows:

Building Ownership Certificate No.	Buildings	Gross Floor Area *(sq.m.)*
N/A	A 3-storey office building	1,800.00
N/A	Three single storey steel frame workshops	16,256.00
N/A	A 4-storey dormitory building	1,920.00
N/A	A single storey boiler room	136.05
N/A	A single storey junk room	127.35
N/A	A single storey steel frame storeroom	707.50
N/A	Two single storey lavatories	92.00
N/A	A single storey switch room	252.15
N/A	A single storey guardhouse	12.85

5. According to the legal opinion prepared by the Company's PRC legal adviser, Wisewin Law Firm (廣東瀚杰律師事務所), the following opinions are noted:

(i) Both Dongguan Hui Yi Brass Products Co., Ltd. and Dongguan Xinbao Precision Chemical Co., Ltd. are subsidiaries of Chau's Electrical (BVI) Company Limited.

(ii) Dongguan Hui Yi Brass Products Co., Ltd. has fully paid the land use fee (i.e. the consideration for the land) and has fulfilled the obligations as stated in the Transfer Contract. The State-owned Land Use Rights Certificate is under application.

(iii) Dongguan Hui Yi Brass Products Co., Ltd. is the legally interested party in the land and has the rights to use the land; and

(iv) The property is currently occupied by Dongguan Xinbao Precision Chemical Co., Ltd.

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributable to the Group as at 28 February 2010
7.	A factory complex erected on a parcel of land and located at Huanchang North Road (formerly known as Beihuan Road) Mu Lun Administrative District Bu Tian Changping Town Dongguan Guangdong Province The PRC	The property is erected on a parcel of land having a site area of approximately 51,976 sq.m. The property comprises five various workshops and warehouse with heights ranged from single to 4-storey, a 5-storey office building, a 7-storey composite building and other ancillary facilities which were completed in 1998. The property has a total gross floor area of approximately 30,695.86 sq.m. The property is subject to a right to use the land until 27 August 2047.	The property is currently occupied by the Group for industrial, storage, ancillary office, dormitory and other ancillary facilities purposes.	HK$52,570,000 (100 per cent.)

Notes:

1. Pursuant to a Contract for the Grant of State-owned Land Use Rights (the "Transfer Contract") dated 21 March 1997, a parcel of land having a site area of approximately 78.37 Mu (52,246.93 sq.m.) was granted by the People's Government of Changping Town 常平鎮人民政府 to Dongguan Hui Yi Brass Products Co., Ltd. (東莞華藝銅業有限公司) for construction of workshops and other ancillary facilities for a term of 50 years commencing from the issue date of the State-owned Land Use Rights Certificate. The subject land forms part of the land under this Transfer Contract.

2. The right to possess the land is held by the State and the right to use the land has been granted by the State to Chau's Electrical (BVI) Company Limited (周氏電業(海外)有限公司), a wholly-owned subsidiary of the Company, through a State-owned Land Use Rights Certificate – Dong Fu Guo Yong (1997) Zi Di Te 372 Hao (東府國用(1997)字第特372號) dated 16 December 1997 and issued by the People's Government of Dongguan City (東莞市人民政府) until 27 August 2047. The land is restricted for industrial purpose.

3. Pursuant to four various Building Ownership Certificates – Yue Fang Di Zheng Zi Di 2480828 Hao (粵房地證字第2480828號), Yue Fang Di Zheng Zi Di 2480829 Hao (粵房地證字第2480829號), Yue Fang Di Zheng Zi Di 2480830 Hao (粵房地證字第2480830號) and Yue Fang Di Zheng Zi Di 2480831 Hao (粵房地證字第2480831號) all dated 7 July 2000 and issued by the People's Government of Dongguan City (東莞市人民政府) regarding major buildings and structures mentioned in Note 4 below, the legally interested party in the property is Chau's Electrical (BVI) Company Limited (周氏電業(海外)有限公司).

4. A detailed breakdown of gross floor area of each of the major buildings and structures is as follows:

Building Ownership Certificate No. Yue Fang Di Zheng Zi Di	Buildings (no. of storey)	Gross Floor Area *(sq.m.)*
2480828 Hao	Office (5-storey)	3,405.68
2480829 Hao	Main Workshop (2-storey)	3,704.85
2480830 Hao	Composite Building (7-storey)	5,552.53
2480831 Hao	Warehouse (4-storey)	2,897.52
N/A	Liquefaction Station (Duty Room)	32.00
N/A	Liquefaction Station (Gasify Room)	65.00
N/A	Fire Water Pool and Pump Room	200.25
N/A	Air Compressor Room	106.25
N/A	Cooling Tower Room	104.00
N/A	Oxygen Acetylene Storage	120.25
N/A	Electricity Switch Room	264.00
N/A	3 Various Steel Frame Workshops	13,824.00
N/A	Lavatory	24.89
N/A	Guardhouse	33.54
N/A	Lubrication oil godown	361.10

5. The property is subject to a mortgage in favour of Bank of China Holdings Limited Dongguan Branch and registered under a Maximum Limit of Collateral Contract No. GDY475970120050006.

6. According to the legal opinion prepared by the Group's PRC legal adviser, Wisewin Law Firm (廣東瀚杰律師事務所), the following opinions are noted:

   (i) Chau's Electrical (BVI) Company Limited (周氏電業(海外)有限公司) is the legally interested party in the property and has the rights to transfer, lease or mortgage the property; and

   (ii) The property is currently occupied by Dongguan Xinbao Precision Chemical Co., Ltd.

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributable to the Group as at 28 February 2010
8.	A parcel of land located at Huanchang North Road (formerly known as Beihuan Road) Changping Town Dongguan Guangdong Province The PRC	The property comprises a parcel of vacant land having a site area of approximately 102,984.05 sq.m. *(See Note 1 below)* The property is subject to a right to use the land for a term of 50 years commencing from the issue date of the State-owned Land Use Rights Certificate.	The property is vacant.	HK$36,920,000 (100 per cent.) *(See Note 3 below)*

Notes:

1. Pursuant to a Contract for the Transfer of State-owned Land Use Rights (the "Transfer Contract") dated 28 January 1999, a parcel of land having a site area of approximately 215.18 Mu. (143,454.05 sq.m.) was transferred by the People's Government of Changping Town (Asset and Property Management Company) 常平鎮人民政府 (資產物業管理公司) to Dongguan Hua Yi Brass Products Co., Ltd. (東莞華藝銅業有限公司) for construction of workshops and other ancillary facilities for a term of 50 years commencing from the issue date of the State-owned Land Use Rights Certificate. The property together with Property No. 6 as detailed above form the land under this Transfer Contract.

2. According to a copy of Dongguan Construction Contract dated 20 July 2005 and provided by the Company, a single storey workshop having a gross floor area of approximately 4,320 sq.m. to be constructed by 東莞市盛帆建築工程有限公司 on the property.

3. According to the PRC legal opinion prepared by the Group's PRC legal adviser, Wisewin Law Firm (廣東瀚杰律師事務所), it opined that Dongguan Hua Yi Brass Products Co., Ltd. (東莞華藝銅業有限公司) complied with the conditions as stipulated under the Transfer Contract stated in Note 1 above, and Dongguan Hua Yi Brass Products Co., Ltd. (東莞華藝銅業有限公司) is the legally interested party in the property though application for the relevant State-owned Land Use Rights Certificate is in progress. In the course of our valuation, we have assumed that the Group has settled the acquisition cost in full and no additional premium is required for the application of the relevant certificates. Should this not be the case, it will affect the reported value significantly.

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributable to the Group as at 28 February 2010
9.	A parcel of land located at Zhang Chun Gang Road Anling Village Xie Qiao Zhen Jingjiang Taizhou City Jiangsu Province The PRC	The property comprises a parcel of vacant land having a site area of approximately 33,171 sq.m. The property is subject to a right to use the land for a term of 50 years until 28 June 2057.	The property is vacant.	HK$7,230,000 (100 per cent.)

Notes:

1. Pursuant to a Land Sales Agreement – Jing Kai Zhao She (Xingang) 2006 19 Hao dated 19 October 2006, a parcel of land having a site area of approximately 50 mu. (33,334 sq.m.) was granted by Xin Gang Yuan District Administrative Committee of Jingjiang Economic Development Zone of Jiangsu Province to Jingjiang Hua Ling Copper Products Company Limited (靖江華凌銅業有限公司), a wholly-owned subsidiary of the Company, for production purpose for a term of 50 years commencing from the issue date of the State-owned Land Use Rights Certificate. A total amount of RMB2,985,420.00 has been paid by the Group.

2. Pursuant to a State-owned Land Use Right Certificate known as Jing Guo Yong (2007) Di 1456 Hao and dated 23 November 2007, a parcel of land having a site area of approximately 33,171 sq.m. was granted by the People's Government of Jingjiang City to Jingjiang Hua Ling Copper Products Company Limited (靖江華凌銅業有限公司) for industrial purposes for a term of 50 years till 28 June 2057.

3. According to the legal opinion prepared by the Group's PRC legal adviser, Shanghai Zhuji Law Firm (上海市珠璣律師事務所), the following opinions are noted:

   (i) A total sum of RMB2,985,420.00 has been paid by Jingjiang Hua Ling Copper Products Company Limited and obtained the land use rights of the property on 23 November 2007.

   (ii) Jingjiang Hua Ling Copper Products Company Limited is the legally interested party in the property and has the rights to transfer, lease or mortgage the property without further premium required.

   (iii) Jingjiang Hua Ling Copper Products Company Limited did not receive any notice to confirm it is an idle land from any relevant local authority as at 31 December 2009.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained herein the omission of which would make any statement contained in this circular misleading.

2. SHARE CAPITAL

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

Authorised:		*HK$*
30,000,000,000	ordinary share(s) of HK$0.01 each	300,000,000.00
Issued and fully paid or credited as fully paid:		*HK$*
1,574,420,362	ordinary share(s) of HK$0.01 each	15,744,203.62

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which were required to be entered into the register required to be kept under section 352 of the SFO were as follows:

Long positions in Shares

Name	Capacity	Number of Shares interested	Approximate percentage of shareholding
Mr. Chau Lai Him	Interest of corporation controlled *(Note)*	134,804,297	8.56%

Note: These Shares are held by Venture Success Holdings Limited which is wholly owned by Mr. Chau Lai Him who is the Chairman and Managing Director of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which were required to be entered into the register required to be kept under section 352 of the SFO.

(b) Interests of Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group.

(1) Long positions in Shares and underlying shares of equity derivatives of the Company

Name	Capacity	Number of shares interested	Approximate percentage of shareholding
Venture Success Holdings Limited *(Note i)*	Beneficial owner	134,804,297	8.56%

Note:

(i) Venture Success Holdings Limited is wholly owned by Mr. Chau Lai Him who is the Chairman and Managing Director of the Company.

(2) Long positions in shares and underlying shares of the subsidiaries of the Company

Name of the 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 Chemical Co., Ltd.	Luckyman Assets Management Limited	Beneficial owner	HK$6,750,000	14.24%

Save as disclosed above, the Directors and the chief executives of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had 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, or who is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group.

As at the Latest Practicable Date:

(i) none of the Directors, had any direct or indirect interests in any assets which have since 31 December 2009 (being the date to which the latest published audited consolidated financial statements of the Group) been acquired or disposed of by or leased to any members of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any members of the Enlarged Group; and

(ii) none of the Directors was materially interested in any contracts or arrangements entered into by any members of the Enlarged Group subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contract with any members of the Enlarged Group other than contracts expiring or determinable by the relevant member of the Enlarged Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Enlarged Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Enlarged Group since 31 December 2009, being the date to which the latest published audited financial statements of the Company were made up.

7. 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 Agreement.

(b) On 9 February 2010, the Company and Kingston Securities Limited as placing agent entered into a conditional placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 2,000,000,000 new Shares, by a maximum of four tranches (in which each tranche shall not be less than 500,000,000 new Shares, save for the last tranche), to independent investors at a price of HK$0.10 per placing Share. The maximum number of 2,000,000,000 placing Shares to be placed under the placing agreement will be issued pursuant to a specific mandate which has been obtained at a special general meeting of Shareholders held on 23 March 2010. Reference is made to the announcement of the Company dated 9 February 2010 and the shareholders' circular issued by the Company on 5 March 2010.

(c) On 15 January 2010, the Company and Kingston Securities Limited as placing agent entered into a conditional placing agreement, pursuant to which the Company conditionally agreed to place, through the placing agent, on a fully underwritten basis, an aggregate of 262,000,000 new Shares, to independent investors at a price of HK$0.12 per placing Share. The Shares were allotted and issued under the general mandate granted to the Directors by the Shareholders of the Company at the annual general meeting of the Company held on 23 November 2009 and the placing was completed on 27 January 2010. Reference is made to the announcement of the Company dated 15 January 2010 and the next day disclosure return submitted by the Company on 27 January 2010.

(d) On 31 December 2009, Chau's Industrial Investments Limited ("Chau's Industrial"), a wholly-owned subsidiary of the Company, as vendor entered into a conditional sale and purchase agreement with the Perfect Asset Investments Limited, an investment holding company of Mr. Lau Man Tak, as purchaser in relation to the disposal of (i) the entire issued share capital in New Universe Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company (which indirectly holds 90% of equity interests in Brascabos Componentes Elétricos e Eletrônicos Ltda. ("Brascabos")) and (ii) 10% of the equity interest in Brascabos for an aggregate consideration of HK$30 million. The disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is conditional, amongst other things, on Shareholders' approval. A circular containing, among other things, details of the disposal together with a notice convening the special general meeting in relation thereto will be despatched to the Shareholders as soon as practicable. Reference is made to the Company's announcement dated 8 January 2010.

(e) On 15 October 2009 (after trading hours), the Company and Kingston Securities Limited as placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 400,000,000 new Shares to not less than six placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules) at a price of HK$0.135 per Share. 400,000,000 were placed pursuant to the placing agreement on 20 November 2009. Reference is made to the announcement of the Company dated 15 October 2009, the shareholders' circular issued by the Company on 23 October 2009, the announcement of the Company dated 11 November 2009 and the next day disclosure return of the Company submitted on 20 November 2009.

(f) On 28 August 2009, the Company and Kingston Securities Limited as placing agent entered into a conditional placing agreement, pursuant to which the Company conditionally agreed to place, through the placing agent, on a fully underwritten basis, an aggregate of 152,000,000 new Shares, to independent investors at a price of HK$0.14 per Share. The Shares were allotted and issued under the general mandate granted to the Directors by the independent Shareholders of the Company at the special general meeting of the Company held on 17 August 2009 and the placing was completed on 11 September 2009. Reference is made to the announcement of the Company dated 28 August 2009 and the next day disclosure return submitted by the Company on 11 September 2009.

(g) On 10 July 2009, Venture Success Holdings Limited a substantial shareholder of the Company ("Venture Success"), Kingston Securities Limited as placing agent and the Company entered into a placing and subscription Agreement, pursuant to which Venture Success agreed to place, through the placing agent, on a fully underwritten basis, an aggregate of 126,730,000 Shares, to independent investors at a price of HK$0.22 per Share and subscribe for an aggregate of 126,730,000 new Shares at a price of HK$0.22 per subscription Share. The subscription Shares were allotted and issued under the general mandate granted to the Directors by the independent Shareholders of the Company at the special general meeting of the Company held on 9 July 2009 and the subscription was completed on 21 July 2009. Reference is made to the announcement of the Company dated 10 July 2009 and the next day disclosure return submitted by the Company on 21 July 2009.

(h) On 15 June 2009, Venture Success, Kingston Securities Limited and the Company entered into a placing and subscription Agreement, pursuant to which Venture Success agreed to place, through the placing agent, on a fully underwritten basis, an aggregate of 120,000,000 Shares, to independent investors at a price of HK$0.066 per Share and subscribe for an aggregate of 120,000,000 new Shares at a price of HK$0.066 per subscription Share. The subscription Shares were allotted and issued under the general mandate granted to the Directors by the Shareholders of the Company at the annual general meeting of the Company held on 24 November 2008 and the subscription was completed on 24 June 2009. Reference is made to the announcement of the Company dated 15 June 2009 and the next day disclosure return submitted by the Company on 24 June 2009.

(i) On 30 April 2009, Skywalk Assets Management Limited ("Skywalk"), an indirectly wholly-owned subsidiary of the Company as vendor, entered into a sale and purchase agreement with Intense Rise Holdings Limited as purchaser ("Intense Rise"), pursuant to which, Skywalk agreed to dispose of and Intense Rise agreed to purchase 80,426,375 shares of Hua Yi Copper Holdings Limited ("Hua Yi Copper"), representing approximately 28.62% of the total issued share capital of Hua Yi Copper and the entire equity interest held by the Company in Hua Yi Copper as at the date of the sale and purchase agreement. The total consideration for the disposal was HK$24,127,912.50 payable in cash by Intense Rise at completion. The Company ceased to hold any equity interest in Hua Yi Copper following completion. Reference is made to the announcement of the Company dated 30 April 2009.

(j) On 5 December 2008:

(i) Wah Yeung Capital Resources Limited ("Wah Yeung"), Hua Yi Copper and the Company, the Company entered into a sale and purchase agreement whereby the Company agreed to acquire from Wah Yeung (i) the one share of HK$1 in the issued share capital of Modern China Enterprises Limited ("Modern China") which represented its entire issued share capital; and (ii) the 5,000,000 shares of HK$1 each in the issued share capital of Hua Yi Copper Products Company Limited ("HY Products") which represent its entire issued share capital and the unsecured and interest-free shareholder's loan owed to Wah Yeung by HY Products and its subsidiary ("HY Products Group") for a consideration of approximately HK$189.6 million ("HY Subsidiaries Consideration") (subject to certain set-off arrangements and adjustments) (the "HY Subsidiaries Agreement").

(ii) Chau's Industrial, Hua Yi Copper and the Company entered into a sale and purchase agreement, whereby Hua Yi Copper agreed to acquire from Chau's Industrial Investment Limited, 1,000 shares of HK$1 each in the issued share capital of Solartech Enterprises Limited ("Solartech Enterprises") which represented its entire issued share capital and the unsecured and interest-free shareholder's loan owed to Chau's Industrial Investment Limited by Solartech Enterprises and its subsidiary ("Solartech Enterprises Group") for a consideration of approximately HK$101.0 million ("Solartech Enterprises Consideration") (subject to certain set-off arrangements and adjustments) (the "Solartech Enterprises Agreement").

(iii) Chau's Electrical Company Limited ("Chau's Electrical"), Hua Yi Copper and the Company entered into a sale and purchase agreement whereby Hua Yi Copper and the Company agreed to acquire from Chau's Electrical the one share of HK$1 in the issued share capital of Fund Resources Limited ("Fund Resources") and the unsecured and interest-free shareholder's loan owed to Chau's Electrical by Fund Resources and its subsidiary ("Fund Resources Group") for a consideration of approximately HK$77.1 million ("Fund Resources Consideration") (subject to certain set-off arrangements and adjustments) (the "Fund Resources Agreement").

(iv) The Company, Chau's Industrial, Chau's Electrical, Hua Yi Copper and Wah Yeung Capital Resources Limited entered into a deed of set-off and transition arrangements (the "Set-off Deed"), the parties agreed to facilitate the settlement of the considerations payable by the relevant purchasers under HY Subsidiaries Agreement, Solartech Enterprises Agreement and Fund Resources Agreement at completion. The completion of HY Subsidiaries Agreement, Solartech Enterprises Agreement and Fund Resources Agreement took place simultaneously.

Pursuant to the terms of the Set-off Deed, the payment obligation of the Company for the HY Subsidiaries Consideration would be set-off against the payment obligation of Hua Yi Copper for the aggregate of the Solartech Enterprises Consideration and the Fund Resources Consideration with the difference to be settled in cash. The consideration paid at completion is subject to the adjustments to be determined following delivery of the respective unaudited consolidated balance sheets of Modern China and its subsidiaries, HY Products Group, Solartech Enterprises and its subsidiary and Fund Resources and its subsidiary as at the date of completion.

(v) the Company proposed to make an Open Offer on a fully underwritten basis in the proportion of four (4) Solartech Open Offer Shares for every Solartech Share held on 19 January 2009 (the "Solartech Open Offer"). The Solartech Open Offer involved the allotment and issue of 2,414,617,448 new Shares (the "Solartech Open Offer Shares") at a subscription price of HK$0.027 per Solartech Open Offer Share. Pursuant to an underwriting agreement of the same date, Venture Success as underwriter conditionally agreed to fully underwrite all the 2,414,617,448 Solartech Open Offer Shares at a subscription price of HK$0.027 per Solartech Open Offer Share (the "Underwritten Shares").

Mr. Chau Lai Him 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 Man Tak, a former director of the Company. Save for his interest as a substantial shareholder of Venture Success, Mr. Lau was not a Shareholder and was an independent third party of the Company, the Directors of the Company, the subsidiaries of the Company, the directors and chief executive of the subsidiaries of the Company, and their respective associates. The underwriting agreement provided that Venture Success would be obliged to subscribe or procure subscribers for any Shares not taken up by the Shareholders and to whom the Solartech Open Offer was offered. The Solartech Open Offer and the Underwriting Agreement were approved by the independent shareholders of the Company at a special general meeting of the Company held on 19 January 2009.

Details of the material terms of the HY Subsidiaries Agreement, the Solartech Enterprises Agreement, the Fund Resources Agreement, the Set-off Deed (the "Asset Swap") and the Solartech Open Offer are set out in the shareholders' circular dated 31 December 2008 issued by the Company. Completion of the Asset Swap completed on 4 February 2009 and the Solartech Open Offer became unconditional in all respects on 5 February 2009. Details of which are set out in the announcement of the Company dated 5 February 2009.

8. CLAIMS AND LITIGATIONS

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which are contained in this circular (collectively referred to as the "**Experts**"):

Name	**Qualification**
Anderson & Anderson LLP	Mongolian legal adviser
BDO Limited	Certified Public Accountants
BMI Appraisals Limited	Independent valuer
BMI Technical Consulting	Independent technical adviser
CBE LLC	Independent technical adviser

Name	Qualification
Guangdong Securities Limited	a licensed corporation, licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (assets management) regulated activities pursuant to the SFO
LCH (Asia-Pacific) Surveyors Limited	Professional Surveyor
Shanghai Zhuji Law Firm	PRC legal adviser
Wisewin Law Firm	PRC legal adviser

Each of the Experts has given and confirmed that they have not withdrawn their written consent to the issue of this circular with the inclusion of their letter and/or references to their name in the form and context in which it appears. Each of the Experts has further confirmed that as at the Latest Practicable Date, they were not interested in the share capital of any member of the Enlarged 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 Enlarged Group. They are not interested in any assets which have been, since 31 December 2009 (being the date to which the Company's latest audited financial statements were made up), 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.

10. MISCELLANEOUS

(i) 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.

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

(iii) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal office of business of the Company at No. 7, 2/F., Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon Hong Kong up to and including the date of the SGM:

(i) the Agreement;

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

(iii) the interim report of the Company for the six months ended 31 December 2009 and the annual reports of the Company for each of the two years ended 30 June 2008 and 30 June 2009;

(iv) the accountants' reports on the Target Company and ISE, the texts of which are set out in Appendices IIA and IIB to this circular, respectively;

(v) the letter issued by BDO Limited in connection with the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix III to this circular;

(vi) the Valuation Report, the text of which is set out in Appendix IV to this circular;

(vii) the Technical Report, the text of which is set out in Appendix VI to this circular;

(viii) the property valuation report on the Enlarged Group, the text of which is set out in Appendix VII to this circular;

(ix) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix;

(x) all material contracts and service contracts referred to in the paragraph headed "Material Contracts" and "Service Contracts" in this appendix; and

(xi) this circular.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1166)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of Solartech International Holdings Limited (the "**Company**") will be held at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong at 10:00 a.m. on Tuesday, 27 April 2010 for the purpose of considering and, if thought fit, passing, the following resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**:

(A) the sales and purchase agreement dated 10 November 2009 (the "**Agreement**") entered into by the Company, Winner Progress Limited (the "**Vendor**") and Mr. Liu Yong, pursuant to which the Company agreed to acquire one share of Sun Progress Limited at an aggregate consideration of HK$1,500,000,000 (the "**Acquisition**"); details of the Agreement are set out in the circular of the Company dated 9 April 2010 (the "**Circular**") (copies of the Agreement and the Circular having been produced to the meeting marked "A" and "B" respectively and initialed for the purposes of identification by the chairman of the meeting) be and are hereby approved, confirmed and ratified;

(B) subject to the completion of Acquisition, the creation and issue of the Convertible Bond (as defined in the Circular) on and subject to the terms and conditions of the Agreement be and are hereby approved, confirmed and ratified and the allotment and issue of such number of shares of the Company upon the exercise of the conversion rights attaching to the Convertible Bond be and are hereby approved, confirmed and ratified; and

(C) any one director of the Company be and is hereby generally and unconditionally authorized to do all such acts and things, to sign and execute all such further documents for and on behalf of the Company by hand, or in case of execution of documents under seal, to do so jointly with any of a second director, a duly authorized representative of the director or the secretary of the Company and to take such steps as he may in his absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the transaction under the Agreement."

* *For identification purposes only*

2. "**THAT** the authorized share capital of the Company be and is hereby increased from HK$300,000,000 to HK$500,000,000 by the creation of 20,000,000,000 new shares of HK$0.01 each in the share capital of the Company which shares shall rank pari passu in all respects with the existing shares of the Company."

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

Hong Kong, 9 April 2010

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

Principal place of business in Hong Kong:
Unit 7, 2nd Floor
Kingsford Industrial Centre
13 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

Notes:

1 Any member of the Company entitled to attend and vote at the SGM is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.

2 A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. In case of a recognised clearing house (or its nominees(s) and in each case, being a corporation), it may authorise such persons as it thinks fit to act as its representatives of the meeting and vote in its stead.

3 A form of proxy for use in connection with the SGM is enclosed with this circular. To be valid, the form of proxy, and (if required by the Board) the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority must be deposited at the head office and principal place of business of the Company in Hong Kong at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

4 In the case of joint holders of shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

5 The Directors of the Company as at the date of this notice are Messrs. Chau Lai Him, Zhou Jin Hua, Ho Pang Cheng Vincent, Chan Sio Keong and Liu Dong Yang being the Executive Directors, and Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming being the Independent Non-Executive Directors.