SUNCORP TECHNOLOGIES LTD: THIS IS NOT A VERY PLEASANT STATE OF AFFAIRS

Indirectly, publicly listed SunCorp Technologies Ltd () (Code: 1063, Main Board, The Stock Exchange of Hongkong Ltd) has just told the world that it cannot even afford to part with 3.20 million renminbi (about $HK3.62 million), at this time.

In a public announcement, dated October 10, 2008, Mr Malcolm Stephen Jacobs-Paton, an Executive Director of SunCorp Technologies, stated, among other things, that the company had terminated an agreement with Shenzhen Jiahao Investment Company Ltd () to purchase an additional 5 percent of the Issued and Fully Paid-Up Share Capital of Shenzhen Guo Wei Electronics Company Ltd ().

SunCorp Technologies, already, owns 46 percent of the Issued and Fully Paid-Up Share Capital of this PRC-domiciled, Chinese-foreign, equity joint venture.

The most-recent missive from SunCorp Technologies is very interesting because, on July 22, 2008, the company stated that it had entered into a **M**emorandum **o**f **U**ndertaking (**MOU**) with Shenzhen Jiahao Investment Company Ltd to purchase 5 percent of the Issued and Fully Paid-Up Share Capital of Guo Wei Electronics Company Ltd at a cash consideration of 3.20 million renminbi.

Upon the signing of the Sales and Purchase Agreement for the shares of Guo Wei Electronics Company Ltd, SunCorp Technologies undertook to pay the consideration price within 2 days.

The reason for the acquisition of that additional 5 percent of the Issued and Fully Paid-Up Share Capital of Guo Wei Electronics Company Ltd, it was stated on July 25, 2008, was:

> *'The current role played by the Target* (Guo Wei Electronics Company Ltd) *in the Group's overall business operation is production of approved telecommunications products. The merit of the Acquisition is to increase the Group's interests in the Target in order to secure control over its operation and manufacturing base in the PRC. With effective control in place, the Directors are confident that the Target could generate earnings potential to the Group.*
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> *'The Group has a small manufacturing operation other than that of the Target. While certain options have been considered in the past, an expansion of capacity would entail spending money on new facilities or on an acquisition, which are not considered desirable or viable alternatives at the moment given the current financial situation of the Company. Securing control of the Target is considered the most efficient method to ensure access to controlled facilities.*
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> *'Upon Completion, the Company will have control of a Chinese-foreign joint venture, which would be regarded as a local enterprise. Access to domestic business opportunities is expected to be greater for the Target than what would be available to an overseas company, particularly in the retail sector. The changes in the PRC tax regime (especially with regards to value added tax rebates for exporters) also increased the attractiveness of the domestic market and having a local enterprise to take advantage of those is considered important.*
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> *'The Directors consider that the Acquisition represents a good opportunity for the Group to step up its interests in an associated company of the Company. Upon Completion, the Target will become an indirect 51% non-wholly owned subsidiary of the Company and the accounts of the Target will be consolidated to the consolidated financial statements of the Company. The Directors consider that the Acquisition will secure control over the Target's operating and manufacturing base in the PRC, enable more efficient operations, allow the Company to explore*

additional manufacturing and telecom opportunities in the domestic market in the PRC through a controlled subsidiary. The Board is of the view that the terms and conditions of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.'

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