THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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)

ACQUISITION OF BRASCABOS CONSTITUTING A MAJOR TRANSACTION

A notice convening a special general meeting to be held at Academy Rooms I & II, 1/F, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui, Hong Kong, on Monday, 24 July 2006 at 10:30 a.m. is set out on pages 112 to 113 of this circular. A form of proxy for use at the special general meeting is also enclosed with this circular.

If you are not able to attend the special general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company at its head office and principal place of business in Hong Kong at No.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 meeting. Completion and delivery of the enclosed form of proxy will not preclude you from attending and voting at the meeting should you so wish.

* *For identification purposes only*

26 June 2006

CONTENTS

Page

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

"Acquisition"	the acquisition of the Sale Interest;
"Board"	the board of Directors;
"Brascabos"	Brascabos Componentes Elétricos e Eletrônicos Ltda., a Brazilian limited liability company which is a subsidiary of Whirlpool S.A. and an Independent Third Party;
"Brascabos Group"	Brascabos and its subsidiary;
"Brasmotor"	Brasmotor S.A., a company incorporated in Brazil, a subsidiary of Whirlpool S.A. and an Independent Third Party;
"Brastemp"	Brastemp da Amazônia S.A., a company incorporated in Brazil, a subsidiary of Whirlpool S.A. and an Independent Third Party;
"Chau's Family Trust"	a discretionary trust founded by Mr. Chau and which is wholly-owned by Chau's Family 1996 Limited;
"Closing"	completion of the Quota Purchase Agreement;
"Closing Date"	the day on which completion of the Quota Purchase Agreement shall take place, being the fifth Business Day following the date on which the last of the conditions to Closing has been fulfilled;
"Closing Date Balance Sheet"	an audited balance sheet for Brascabos as at the close of business on the Closing Date, to be prepared within 30 days of the Closing Date;
"Company" or "Purchaser"	Solartech International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;
"Director(s)"	the director(s) of the Company including executive directors, non-executive directors and independent non-executive directors;
"Enlarged Group"	the Group and the Brascabos Group;

"Group"	the Company and its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Hua Yi Copper"	Hua Yi Copper Holdings Limited, a company incorporated in Bermuda, a subsidiary of the Company and the shares of which are listed on the Stock Exchange;
"Independent Third Party(ies)"	third party(ies) independent of the Company and connected persons (as defined in the Listing Rules) of the Company;
"Latest Practicable Date"	23 June 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Mr. Chau"	Mr. Chau Lai Him, chairman and managing director of the Company;
"Quota Purchase Agreement"	the formal quota purchase agreement entered into between the Sellers and the Company dated 30 May 2006 for the Acquisition;
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
"SGM"	the special general meeting of the Company to be held at 10:30 a.m. on Monday, 24 July 2006 at Academy Rooms I & II, 1/F, International Grand Stansford Hong Kong, 70 Mody Road, Tsimshatsui, Hong Kong to consider and, if thought fit, approve the Quota Purchase Agreement for the Acquisition;
"Sale Interest"	100% of the equity interest in Brascabos;
"Sellers"	Whirlpool S.A. and Brasmotor, who together own 100% interest in Brascabos. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sellers and their ultimate beneficial owners are Independent Third Parties;

"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of Shares;
"Shareholders' Loans"	the shareholders' loans advanced by the Sellers to Brascabos;
"Stock Exchange"	the Stock Exchange of Hong Kong Limited;
"Subscribers"	Chau's Family Trust and Mr. Chau;
"Supplier Sourcing Agreement"	the supplier sourcing agreement to be entered into by Whirlpool S.A., Brastemp and Brascabos pursuant to the Quota Purchase Agreement;
"Transitional Support Agreement"	the transitional support agreement to be entered into by Brascabos and Brastemp for interim provision of primarily administrative and human resource management services;
"Whirlpool"	Whirlpool Corporation, a listed company in the USA and an Independent Third Party;
"Whirlpool S.A."	Whirlpool S.A. (formerly Multibrás S.A. Electrodomesticos), a company incorporated in Brazil and a subsidiary of Whirlpool and an Independent Third Party;
"White Goods"	large electrical home appliances;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"R$"	Brazilian Reais, the lawful currency of Brazil; and
"%"	per cent.

Terms expressed in R$ in this circular have been translated into HK$ at the rate HK$3.35=R$1, and vice versa. No representation or assurance is made or given that any amount in HK$ or R$ could be converted at such rate or any other rates.

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)

Board of Directors

Executive Directors
Chau Lai Him *(Chairman)*
Zhou Jin Hua
Lau Man Tak
Liu Jin Rong

Independent Non-executive Directors
Lo Kao Cheng
Lo Wai Ming
Chung Kam Kwong

Registered office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
No. 7, 2nd Floor
Kingsford Industrial Centre
13 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

26 June 2006

To the Shareholders

Dear Sir or Madam,

ACQUISITION OF BRASCABOS CONSTITUTING A MAJOR TRANSACTION

INTRODUCTION

Reference is made to the announcements made by the Company dated 18 April, 15 May and 2 June 2006 in relation to the Acquisition.

On 30 May 2006, the Company entered into the Quota Purchase Agreement with the Sellers in relation to the Acquisition for an aggregate consideration of US$10,000,000 (approximately HK$78,000,000) and guaranteeing the repayment of the Shareholders' Loan in an amount of not more than US$4,000,000 (approximately HK$31,200,000). Completion is conditional upon certain conditions as set forth in detail below.

* *For identification purposes only*

The purpose of this circular is to provide you with further information in relation to the Acquisition.

THE ACQUISITION

The Company entered into the Quota Purchase Agreement to acquire the Sale Interest. Subject to compliance of relevant Brazilian laws, there is no restriction which applies to the sale of the Sale Interest subsequent to Completion.

CONSIDERATION

The consideration for the Acquisition is the aggregate of US$10,000,000 for the Sale Interest, payable in the following manner:–

(i) US$6,500,000 to the Sellers on the Closing Date;

(ii) subject to (iii) below, the Company shall pay the remaining balance of US$3,500,000 to the Sellers in four (4) equal installments of US$875,000 on each anniversary of the Closing Date with the first anniversary being in 2007;

(iii) within 10 Business Days after the Closing Date Balance Sheet has been finally determined, should the net asset value of Brascabos reflected on the Closing Date:–

   (a) exceed US$6,500,000, the Company shall pay to the Sellers such excess amount and the first installment payable pursuant to (ii) above in 2007 shall be correspondingly reduced and if the amount of such excess is greater than the amount of the first installment, then the second installment shall be correspondingly reduced and so on; and

   (b) be less than US$6,500,000, the first installment payable pursuant to (ii) above in 2007 shall be correspondingly reduced to the extent of such shortfall (up to a maximum reduction of US$875,000) and the remaining three installments shall each be increased by one-third of such shortfall.

The Consideration was agreed after arm's length negotiations between the Company and the Vendors, after taking into account the unaudited net asset value of Brascabos as at 30 April 2006 and the terms of the Supplier Sourcing Agreement.

In addition, the Company will guarantee the repayment of the Shareholders' Loans in an amount of not more than US$4,000,000 (approximately HK$31,200,000), if such loans are not repaid in 2 equal installments on each of: (i) the date which falls 6 months after the Closing Date; and (ii) the date which falls 15 months after the Closing Date, provided that if the aggregate amount of the Shareholders' Loans due as at the Closing Date exceeds US$2,600,000, repayment shall be in 3 equal installments, the third installment to be paid on the date which falls 24 months after the Closing Date, together with simple interest on the outstanding balance at the rate of 3-month LIBOR for U.S. dollar deposits.

The Acquisition will be funded by the proceeds from the placing and the subscription, together with the issue of the convertible notes referred to in the Company's announcements dated 25 April and 9 May 2006 and the circular dated 17 May 2006.

CONDITIONS

The obligation of Sellers to consummate the transactions contemplated by the Quota Purchase Agreement shall be subject to, among others, the following conditions:–

(i) regulatory compliance with and necessary third party consents having been obtained, including but not limited to approval by Shareholders; and

(ii) the Supplier Sourcing Agreement and the Transitional Support Agreement (which are already in agreed form) being signed.

If the Conditions are not fulfilled or waived in accordance with the terms of the Quota Purchase Agreement on or before 30 September 2006, the Quota Purchase Agreement shall lapse unless parties otherwise agree to an extension.

Completion of the Quota Purchase Agreement is scheduled to take place on the fifth Business Day following the date on which the last of the conditions to Closing have been fulfilled.

Upon Completion of the Quota Purchase Agreement, Brascabos will be a wholly-owned subsidiary of the Company.

SUPPLIER SOURCING AGREEMENT

Pursuant to the Quota Purchase Agreement, Whirlpool S.A. and Brastemp will on the Closing Date enter into a 5-year exclusive Supplier Sourcing Agreement with Brascabos whereby Whirlpool S.A. and Brastemp will purchase from Brascabos 100% of their requirements for certain materials used in their manufacture process in South America (so long as Brascabos is able to meet the relevant product specifications) exclusively for the first 4 years after the Closing Date and, depending on competitive performance (in terms of prices, quality and other performance criteria), exclusively for a further one year.

TRANSITIONAL SUPPORT AGREEMENT

On the Closing Date, an interim Transitional Support Agreement will be entered into between Brascabos and Brastemp, whereby Brastemp will continue to provide all of the services which, immediately prior to the Closing Date, it provides to Brascabos for (a) a period of 90 days from the Closing Date; or (b) until the Purchaser has made alternative arrangements in respect of Brascabos, whichever first occurs. This transitional support services are primarily for administrative and human resource management services and are expected to cost approximately R$27,000 (approximately HK$90,450) per month. The terms of this agreement have been determined by reference to the rates at which such services have been charged to Brascabos and Brastemp has represented that these charges are in line with such historical charges.

INFORMATION ON THE PARTIES

The Company and its subsidiaries are principally engaged in the business of manufacture of and trading in cables and wires, copper rods and connectors and terminals.

Brascabos was founded in 1985 in Brazil and is one of the leading manufacturers of power cords and wire harness for the White Goods and automotive parts industry in Brazil. It also manufactures electronic controls and sensor devices. In the White Goods industry, Brascabos' products are used in laundry, cooking and cooling appliances. Other applications include automobiles, communication devices, computer audio and video equipment and industrial applications. Brascabos also holds patents for certain proprietary processes and products.

According to the audited financial statements of Brascabos set out in Appendix II which was prepared according to Hong Kong Financial Reporting Standards, the audited net asset value of Brascabos as at 31 December 2004 and 2005 were R$14,040,000 (approximately HK$47,034,000) and R$11,916,000 (approximately HK$39,918,600) respectively. The audited net profit/(loss) (before taxation and extraordinary items) of Brascabos for the financial years ended 31 December 2004 and 2005 were R$2,831,000 (approximately HK$9,483,850) and R$(2,665,000) (approximately HK$(8,927,750)) respectively. The audited net profit/(loss) (after taxation and extraordinary items) of Brascabos for the financial years ended 31 December 2004 and 2005 were R$1,915,000 (approximately HK$6,415,250) and R$(1,608,000) (approximately HK$(5,386,800)) respectively. Your attention is drawn to the further financial information on Brascabos set out in Appendix II.

Whirlpool S.A. is a subsidiary of Whirlpool based in Brazil and the Directors believe that Whirlpool S.A. is the largest White Goods manufacturer in Brazil. Brastemp is a subsidiary of Whirlpool S.A. principally engaged in the manufacture, trading, importation and exportation of household appliances, White Goods, electro-domestic products and related components.

FINANCIAL EFFECTS OF THE ACQUISITION

Despite two previous years of profitable operations, Brascabos recorded losses before tax of R$2,665,000 (approximately HK$8,927,750) and losses after tax of R$1,608,000 (approximately HK$5,386,800) for the financial year ended 31 December 2005. This was primarily attributable to a significant increase in net operating expenses. However, Brascabos had positive cash flow for the year ended 31 December 2005. The Group believes that it is able to raise efficiency at Brascabos and to the extent such initiatives are successful, the Directors believe that Brascabos will be able to positively contribute to the Group's earnings and help to broaden the geographical base of the Group's income.

Upon completion, Brascabos will become a wholly-owned subsidiary of the Group and its profit and loss will be consolidated into the income statement of the Group for the financial period ending after Completion. As the Closing is conditional on approval by the Shareholders at the SGM, it will not take place until after the current financial year ending 30 June 2006. If there is a loss at Brascabos for the twelve months ending 30 June 2007, any such loss would reduce the Group's earnings for the financial year ending 30 June 2007.

The unaudited consolidated total assets of the Group as at 31 December 2005 were approximately HK$1,699,064,000. Based on the unaudited pro forma combined Balance Sheet of the Enlarged Group (as set out in Appendix III to this circular), the total pro forma assets of the Enlarged Group would, after Closing, amount to approximately HK$1,785,079,000, representing an increase of approximately 5.06% as compared to the unaudited consolidated total assets of the Group as at 31 December 2005. The unaudited total liabilities of the Group as at 31 December 2005 were approximately HK$732,103,000. After Closing, the pro forma total liabilities of the Enlarged Group would amount to approximately HK$818,105,000, representing an increase of approximately 11.75% as compared to the unaudited consolidated total liabilities of the Group as at 31 December 2005.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

The principal business of the Group consists of the manufacture of and trading in cables and wires, copper rods and connectors and terminals. The Group will continue its efforts in strengthening and developing its core business and increasing its understanding on the markets so as to ensure its products can meet the market requirements.

The Group will also continue to focus on stringent cost control, overhead reduction, efficiency enhancement, material procurement and new product development. The Directors will continue to closely monitor the Group's finance costs through internal generated funds to enhance the Group's profitability. To better prepare for the forthcoming challenges, the Group will strengthen its established management by upgrading its existing enterprise resources planning system and inventory management to enhance its internal controls.

The Group will continue to consider future acquisition opportunities when they arise. Following the placing and the subscription, together with the issue of the convertible notes referred to in the Company's announcements dated 25 April and 9 May 2006 and the circular dated 17 May 2006, the Group raised gross proceeds of approximately HK$167 million (comprising approximately HK$90 million for the placing and the subscription and HK$77 million for the issue of the convertible notes). These proceeds will be used as to approximately HK$78 million for the Acquisition and the balance for general working capital or funding for future acquisition opportunities when they arise. The Group considers that it has sufficient working capital to meet its present requirements, that is for at least the next 12 months from the date of this circular.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Latin America is considered one of the fast growing economic sectors in the world and the Acquisition is consistent with the Company's strategy of establishing a manufacturing facility in Latin America so as to capture the economic opportunities there. In addition, Brascabos is also engaged in the manufacturing of harness for automotive industry and the Acquisition will pave the way for the Company to enter into such business. The Directors believe that by leveraging off the experience of Brascabos, it would be better placed to develop potential business opportunities in the automotive industry in China.

The Directors consider that the terms of the Acquisition are fair and reasonable, and the entering into the Quota Purchase Agreement is in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition constitutes a major transaction for the Company under the Listing Rules, for which Shareholders' approval is required and any Shareholder and its associates with a material interest in the transaction must abstain from voting. As far as the Directors are aware, no Shareholder would be required under the Listing Rules to abstain from voting.

SGM

A notice convening the SGM, at which an ordinary resolution with or without amendment will be proposed to the Shareholders to consider and, if thought fit, approve the Quota Purchase Agreement for the Acquisition and all other matters contemplated thereunder is set out on pages 112 to 113 of this circular. A form of proxy for use at the SGM is enclosed with this circular.

If you are not able to attend the special general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company at its head office and principal place of business in Hong Kong at No. 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 meeting. Completion and delivery of the enclosed form of proxy will not preclude you from attending and voting at the meeting should you so wish.

Pursuant to bye-law 66 of the Company's bye-laws, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands) a poll is demanded: (a) by the chairman of such meeting; or (b) by at least three Shareholders present (or in the case of a corporation by its duly authorised representative) in person or by proxy for the time being entitled to vote at the meeting; or (c) by any Shareholder or Shareholders present in person (or in the case of a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or (d) by a Shareholder or Shareholders present in person (or in the case of a corporation by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or (e) pursuant to the provisions of the Listing Rules.

RECOMMENDATION

The Directors consider that the terms of the Acquisition are fair and reasonable, and the entering into the Quota Purchase Agreement is in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend you to vote in favour of the proposed resolution at the SGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Solartech International Holdings Limited
Chau Lai Him
Chairman

1. SHARE CAPITAL

Authorised and issued share capital

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Shares		*HK$*
Authorised:		
30,000,000,000	Authorised share capital of HK$300,000,000 divided into 30,000,000,000 Shares	300,000,000
Issued and fully paid:		
485,064,362	Paid up share capital of HK$4,850,643.62 divided into 485,064,362 Shares	4,850,643.62

2. INDEBTEDNESSES

As at close of business on 30 April 2006, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had outstanding borrowings as follows:

	The Group	Brascabos	Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*
Borrowings:			
Bank overdrafts	299	–	299
Bank loans	118,714	–	118,714
Trust receipt loans	244,823	–	244,823
Invoice financing loans	71,620	–	71,620
Discounted bills with recourse	14,876	–	14,876
	450,332	–	450,332
Obligations under finance lease	2,299	–	2,299
Total borrowings	452,631	–	452,631
Secured	239,713	–	239,713
Unsecured	212,918	–	212,918
	452,631	–	452,631
Pledge of assets			
Property, plant and equipment	93,233	–	93,233
Land use rights	59,609	–	59,609
Fixed bank deposits	42,919	–	42,919
Trade debtors	28,754	–	28,754
	224,515	–	224,515

The Enlarged Group's borrowings were secured by the charge over certain properties, plant and equipment, bank deposits and certain equipment and land use rights.

Saved as disclosed above, the Enlarged Group did not have any outstanding mortgages, charges, debentures or other loan capital issued and outstanding or agreed to be issued, bank overdrafts or loans or other similar indebtedness, hire-purchase commitments, liabilities under acceptance or credits, guarantees or other material contingent liabilities at the close of business on 30 April 2006.

For the purpose of the above indebtedness statement, the figures for the Group have been translated from foreign currencies to HK$ based on the following exchange rates:

United States Dollar 1.00 = HK$7.76
Renminbi 1.00 = HK$0.95
Malaysian Dollar 1.00 = HK$2.11

3. WORKING CAPITAL

The Directors are of the opinion that taking into account the internal resources, the present available banking facilities and the recent fund raising activities of the Company, the Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial or trading position of the Group since 30 June 2005, being the date to which the latest published audited accounts of the Group were made up.

5. FINANCIAL SUMMARY

The following is a summary of the audited consolidated financial information of the Group for the two years ended 31 March 2003 and 31 March 2004 and the period ended 30 June 2005 and the unaudited consolidated information of the Group for the six months ended 31 December 2005 as extracted from the relevant annual reports and interim report of the Company:–

Consolidated Income Statement

	1.7.2005 to 31.12.2005 (Unaudited) *HK$'000*	1.4.2004 to 30.6.2005 (Audited) *HK$'000*	1.4.2003 to 31.3.2004 (Audited) *HK$'000*	1.4.2002 to 31.3.2003 (Audited) *HK$'000*
Turnover	1,049,299	2,056,288	1,197,100	946,222
Cost of sales	(956,457)	(1,898,350)	(1,058,812)	(792,516)
Gross profit	92,842	157,938	138,288	153,706
Other operating income	10,261	29,115	11,304	3,846
Interest income	4,063	8,421	4,024	8,230
General and administrative expenses	(60,024)	(130,853)	(96,984)	(97,045)
Selling and distribution expenses	(12,323)	(24,436)	(18,552)	(20,414)
(Allowance for) reversal of doubtful debts	–	(23,491)	(32,543)	1,450
Impairment loss recognised in respect of property, plant and equipment	–	(14,000)	–	–
Change in fair value of derivative financial instruments	(4,819)	–	–	–
Loss on disposal of investments in securities	–	–	–	(1,040)
Profit from operations	30,000	2,694	5,537	48,733
Finance costs	(15,970)	(32,134)	(14,798)	(14,264)
Impairment loss recognised in respect of goodwill	–	(16,212)	(63,653)	–
Share of result of a jointly controlled entity	–	–	–	(18,065)
Share of results of associates	116	289	(5,726)	1,588
(Loss) gain on disposal of subsidiaries	–	(7,502)	–	5,805
Gain on deemed disposal of a subsidiary	19,576	1,845	–	–
Loss on partial disposal of an associate	–	–	–	(6,800)
Profit (Loss) before taxation	33,722	(51,020)	(78,640)	16,997
Taxation	(2,141)	(10,504)	(8,990)	(8,613)
Profit (Loss) before minority interests	31,581	(61,524)	(87,630)	8,384
Minority interests	(9,072)	389	2,445	(119)
Profit (Loss) for the period/year	22,509	(61,135)	(85,185)	8,265
Profit (Loss) per share – basic	5.74 cents	(19.1) cents	(37.9) cents	4.36 cents

Consolidated Balance Sheet

	31.12.2005	30.6.2005	31.3.2004	31.3.2003
	(Unaudited)	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)
Non-current assets				
Property, plant and equipment	469,054	498,460	458,715	420,428
Prepaid lease payments for land - non current portion	87,029	–	–	–
Interests in associates	10,189	9,885	9,596	4,108
Interests in jointly controlled entities	5,153	–	–	62,611
Notes receivable	55,000	55,000	55,000	55,000
Other assets	–	–	–	16,614
Deferred tax assets	20	20	1,366	1,319
	626,445	563,365	524,677	560,080
Current assets				
Inventories	288,198	304,642	229,274	182,897
Television programmes and sub-licensing rights	1,000	963	–	–
Debtors, deposits and prepayments	395,515	392,108	344,585	264,953
Bills receivable	99,733	5,605	3,933	4,160
Prepaid lease payments for land - current portion	2,143	–	–	–
Pledged deposits	28,112	48,331	23,107	10,241
Bank balances and cash	257,918	140,806	143,630	108,830
	1,072,619	892,455	744,529	571,081
Current liabilities				
Creditors and accrued charges	152,100	164,187	114,760	94,429
Bills payable	58,966	9,749	20,596	13,013
Taxation	6,973	5,991	9,196	9,225
Obligations under finance leases	1,426	2,144	1,786	3,257
Borrowings	492,631	367,345	291,568	210,855
Derivative financial instruments	3,525	–	–	–
	715,621	549,416	437,906	330,779
Net current assets	356,998	343,039	306,623	240,302
Total assets less current liabilities	983,443	906,404	831,300	800,382
Non-current liabilities				
Obligations under finance leases	1,581	2,060	2,087	1,906
Deferred tax liabilities	14,901	14,867	11,809	9,442
	16,482	16,927	13,896	11,348
Minority interests	180,659	105,644	14,026	16,196
	786,302	783,833	803,378	772,838
Capital and reserves				
Share capital	3,924	3,924	2,730	1,896
Reserves	782,378	779,909	800,648	770,942
	786,302	783,833	803,378	772,838

6. AUDITED FINANCIAL STATEMENTS

The following is the audited financial statements of the Group for the year ended 30 June 2005 together with accompanying notes, extracted from the Company's annual report for the year ended 30 June 2005:–

Consolidated Income Statement

For the period from 1 April 2004 to 30 June 2005

	NOTES	**1.4.2004 to 30.6.2005** *HK$'000*	**1.4.2003 to 31.3.2004** *HK$'000*
Turnover	*4*	2,056,288	1,197,100
Cost of sales		(1,898,350)	(1,058,812)
Gross profit		157,938	138,288
Other operating income		29,115	11,304
Interest income		8,421	4,024
General and administrative expenses		(130,853)	(96,984)
Selling and distribution expenses		(24,436)	(18,552)
Allowance for doubtful debts		(23,491)	(32,543)
Impairment loss recognised in respect of property, plant and equipment	*11*	(14,000)	–
Profit from operations	*6*	2,694	5,537
Finance costs	*8*	(32,134)	(14,798)
Impairment loss recognised in respect of goodwill	*12*	(16,212)	(63,653)
Share of results of associates		289	(5,726)
Loss on disposal of subsidiaries	*29*	(7,502)	–
Gain on deemed disposal of a subsidiary	*30*	1,845	–
Loss before taxation		(51,020)	(78,640)
Taxation	*9*	(10,504)	(8,990)
Loss before minority interests		(61,524)	(87,630)
Minority interests		389	2,445
Loss for the period/year		(61,135)	(85,185)
Loss per share – basic	*10*	(19.1) cents	(37.9) cents

Consolidated Balance Sheet
At 30 June 2005

	NOTES	30.6.2005 HK$'000	31.3.2004 HK$'000
Non-current assets			
Property, plant and equipment	11	498,460	458,715
Interests in associates	14	9,885	9,596
Interests in jointly controlled entities	15	–	–
Notes receivable	16	55,000	55,000
Deferred tax assets	25	20	1,366
		563,365	524,677
Current assets			
Inventories	17	304,642	229,274
Television programmes and sub-licensing rights	18	963	–
Debtors, deposits and prepayments	19	392,108	344,585
Bills receivable	20	5,605	3,933
Pledged deposits	35	48,331	23,107
Bank balances and cash		140,806	143,630
		892,455	744,529
Current liabilities			
Creditors and accrued charges	21	164,187	114,760
Bills payable	22	9,749	20,596
Taxation		5,991	9,196
Obligations under finance leases	23	2,144	1,786
Borrowings	24	367,345	291,568
		549,416	437,906
Net current assets		343,039	306,623
Total assets less current liabilities		906,404	831,300
Non-current liabilities			
Obligations under finance leases	23	2,060	2,087
Deferred tax liabilities	25	14,867	11,809
		16,927	13,896
Minority interests		105,644	14,026
		783,833	803,378
Capital and reserves			
Share capital	26	3,924	2,730
Reserves		779,909	800,648
		783,833	803,378

Balance Sheet
At 30 June 2005

	NOTES	**30.6.2005** *HK$'000*	**31.3.2004** *HK$'000*
Non-current asset			
Interests in subsidiaries	*13*	803,383	778,466
Current assets			
Prepayments		676	274
Bank balances		630	911
		1,306	1,185
Current liability			
Accrued charges		1,342	1,495
Net current liability		(36)	(310)
		803,347	778,156
Capital and reserves			
Share capital	*26*	3,924	2,730
Reserves	*27*	799,423	775,426
		803,347	778,156

Chau Lai Him
Director

Lau Man Tak
Director

Consolidated Statement of Changes in Equity
For the period from 1 April 2004 to 30 June 2005

	Share capital HK$'000	Share premium HK$'000	Asset revaluation reserve HK$'000	Goodwill reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
THE GROUP									
At 1 April 2003	1,896	–	14,190	(63,298)	4,474	(16,141)	587,012	244,705	772,838
Surplus on revaluation of leasehold land and buildings	–	–	7,708	–	–	–	–	–	7,708
Increase in opening deferred tax liability resulting from change in tax rate	–	–	(13)	–	–	–	–	–	(13)
Deferred tax liability arising on revaluation of properties	–	–	(1,557)	–	–	–	–	–	(1,557)
Minority share of post-acquisition reserve	–	–	2,486	–	–	–	–	–	2,486
Exchange difference on translation of financial statements of overseas operations	–	–	–	–	–	443	–	–	443
Net gains not recognised in the income statement	–	–	8,624	–	–	443	–	–	9,067
Placement of new shares	834	43,136	–	–	–	–	–	–	43,970
Expenses incurred in relation to the placement of new shares	–	(965)	–	–	–	–	–	–	(965)
Realised on impairment of goodwill	–	–	–	63,653	–	–	–	–	63,653
Loss for the year	–	–	–	–	–	–	–	(85,185)	(85,185)
At 31 March 2004	2,730	42,171	22,814	355	4,474	(15,698)	587,012	159,520	803,378
Surplus on revaluation of leasehold land and buildings	–	–	15,068	–	–	–	–	–	15,068
Deferred tax liability arising on revaluation of properties	–	–	(1,702)	–	–	–	–	–	(1,702)
Minority share of post-acquisition reserve	–	–	(1,814)	–	–	–	–	–	(1,814)
Exchange difference on translation of financial statements of overseas operations	–	–	–	–	–	(238)	–	–	(238)
Net gains not recognised in the income statement	–	–	11,552	–	–	(238)	–	–	11,314
Placement of new shares	1,194	31,695	–	–	–	–	–	–	32,889
Expenses incurred in relation to the placement of new shares	–	(2,613)	–	–	–	–	–	–	(2,613)
Released upon partial disposal of a subsidiary	–	–	(1,164)	–	–	–	–	1,164	–
Loss for the period	–	–	–	–	–	–	–	(61,135)	(61,135)
At 30 June 2005	3,924	71,253	33,202	355	4,474	(15,936)	587,012	99,549	783,833

Consolidated Statement of Changes in Equity *(continued)*

The retained profits of the Group include losses of HK$13,431,000 (31.3.2004: HK$13,720,000) attributable to the associates of the Group and nil (31.3.2004: nil) attributable to its jointly controlled entities.

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

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.

Consolidated Cash Flow Statement
For the period from 1 April 2004 to 30 June 2005

	NOTES	1.4.2004 to 30.6.2005 HK$'000	1.4.2003 to 31.3.2004 HK$'000
Operating activities			
Profit from operations		2,694	5,537
Adjustments for:			
Gain on partial disposal of subsidiaries	28	(797)	–
Loss (gain) on disposal of property, plant and equipment		108	(10)
Depreciation and amortisation		45,593	37,870
Allowance for inventories		2,993	9,601
Allowance for doubtful debts		23,491	32,543
Impairment loss on property, plant and equipment		14,000	–
Impairment on club membership		–	600
Impairment on deposit paid for acquisition of investment		–	3,831
Interest income		(8,421)	(4,024)
Operating cash flows before movements in working capital		79,661	85,948
Increase in inventories		(60,198)	(55,009)
Decrease in television programmes and sub-licensing rights		2,546	–
Increase in debtors, deposits and prepayments		(62,756)	(87,516)
(Increase) decrease in bills receivable		(1,672)	227
Increase in creditors and accrued charges		11,442	19,848
(Decrease) increase in bills payable		(18,616)	7,583
Cash used in operations		(49,593)	(28,919)
Hong Kong Profits Tax paid		(448)	(3,628)
Taxation in other jurisdictions paid		(10,952)	(4,742)
Net cash used in operating activities		(60,993)	(37,289)
Investing activities			
Interest received		8,421	715
Purchase of property, plant and equipment		(25,442)	(22,557)
Proceeds from disposal of property, plant and equipment		100	16
Acquisition of subsidiaries	28	4,642	630
Proceeds from disposal of subsidiaries	28 & 29	13,292	–
Refund of deposit paid for acquisition of investment		–	969
Increase in pledged deposits		(20,224)	(12,866)
Net cash used in investing activities		(19,211)	(33,093)

	1.4.2004 to 30.6.2005 HK$'000	1.4.2003 to 31.3.2004 HK$'000
Financing activities		
Interest paid on bank borrowings	(26,930)	(14,362)
Interest paid on finance leases	(385)	(701)
Proceeds from issue of shares	32,889	43,970
Expenses incurred in connection with the issue of shares	(8,033)	(965)
Proceeds from placement of shares of a listed subsidiary	24,098	–
Repayment of obligations under finance leases	(2,854)	(3,729)
New bank loans raised	348,917	143,287
Repayment of bank loans	(370,223)	(128,801)
New trust receipt loans raised	1,072,542	544,936
Repayment of trust receipt loans	(973,116)	(485,054)
New invoice financing loans raised	224,875	162,587
Repayment of invoice financing loans	(243,993)	(154,965)
Net additions of other borrowings	1,163	–
Dividends paid to a minority shareholder	(2,616)	–
Net cash from financing activities	76,334	106,203
Net (decrease) increase in cash and cash equivalents	(3,870)	35,821
Cash and cash equivalents at beginning of the period/year	143,455	107,378
Effect of foreign exchange rate changes	(94)	256
Cash and cash equivalents at end of the period/year	139,491	143,455
Analysis of the balances of cash and cash equivalents		
Being:		
Bank balances and cash	140,806	143,630
Bank overdrafts	(1,315)	(175)
	139,491	143,455

Notes to the Financial Statements

For the period from 1 April 2004 to 30 June 2005

1. GENERAL

The Company is an exempted company with limited liability incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of cables and wires, copper rods, connectors and terminals, life-like plants and production, distribution and licensing of television programmes. Its associates are principally engaged in the manufacture of optical fibre cable.

During the period, the Directors resolved to change the financial year end date of the Company and its subsidiaries (the "Group") from 31 March to 30 June, except for Hua Yi Copper Holdings Limited (formerly known as FT Holdings International Limited) and its subsidiaries which were acquired by the Company and changed its financial year end date from 31 December to 30 June, in order to allow the Group to prepare and update its financial results on semi-annual basis as most members of the Group are in the People's Republic of China (the "PRC") having year end date of 31 December. As a result, the consolidated financial statements of the Group for the current period covered the 15 months period ended 30 June 2005 and the comparative period covered the 12 months period ended 31 March 2004, and therefore may be not comparable. No further changes to reporting dates are anticipated.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 "Business Combinations" which is effective for business combinations whose agreement date is on or after 1 January 2005. The Directors resolved to early adopt the following new HKFRSs from 1 April 2004 onwards.

HKFRS 3	Business Combinations
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets

In previous years, under Statement of Standard Accounting Practice ("SSAP") 30 "Business Combinations", goodwill was capitalised and amortised on a straight-line basis over its useful economic life and was assessed for impairment whenever there is an indicator for impairment. Negative goodwill was recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets.

HKFRS 3 prohibits the amortisation of goodwill and requires goodwill to be tested for impairment at least annually and the excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition, after reassessment, to be recognised immediately in the income statement. HKFRS 3 prohibits the recognition of negative goodwill.

HKFRS 3 has been applied to account for the acquisition of FT Holdings International Limited ("FT Holdings", subsequently the name was changed to Hua Yi Copper Holdings Limited ("Hua Yi Copper") pursuant to a special resolution passed on 17 September 2004) as detailed in note 28. The Group had applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves continues to be held in reserves and will be transferred to the retained earnings of the Group at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired. The adoption of HKAS 36 and HKAS 38 had no material effect on the results for the current accounting periods.

The Group has commenced considering the potential impact of the new HKFRSs and has so far concluded that the adoption of HKAS 16 "Property, Plant and Equipment", HKAS 17 "Leases", HKAS 31 "Interests in Joint Ventures", HKAS 32 "Financial Instruments: Disclosure and Presentation", HKAS 39 "Financial Instruments: Recognition and Measurement" and HKFRS 2 "Share-based Payment" will have the following effects:

Property, plant and equipment

Property, plant and equipment will be stated at cost less accumulated depreciation and impairment, if any. The underlying leasehold land will be stated at cost and amortised over the lease term.

Interests in jointly controlled entities

HKAS 31 "Interests in Joint Ventures" permits entities to use either the equity method of accounting or proportionate consolidation to account for its interests in jointly controlled entities.

Financial instruments

The Group will classify and measure its financial assets and financial liabilities (which were previously outside the scope of SSAP 24 "Accounting for Investments in Securities") in accordance with the requirements of HKAS 32 and HKAS 39. All derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments.

The Group has entered into certain financial derivatives during the period and will apply the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39. For derivatives that are not for hedging purposes, the Group will recognise the corresponding adjustments on changes in fair values in profit or loss for the period in which they arise.

Share-based payments

Equity-settled share-based payments in relation to share options granted to employees are measured at fair value at the date of grant.

In accordance with the transitional provisions of HKFRS 2, this standard does not apply to share options granted on or before 7 November 2002. However, for share options granted after 7 November 2002 and vested on or after 1 January 2005, such share options would be accounted for retrospectively in accordance with HKFRS 2.

The Group is in the process of making an assessment of the potential impact of the other new HKFRSs but is not yet in a position to determine the impact of these new HKFRSs on the results of operations and financial position of the Group. These new HKFRSs may result in changes in the future as to how the results and financial position of the Group are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of leasehold properties.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the balance sheet date.

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

Business combinations

In previous periods, goodwill arising on acquisitions was held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

After 1 January 2005, the acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at 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 that meet the conditions for recognition under HKFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in, accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

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

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

Goodwill

In previous periods, goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

After 1 January 2005, goodwill arising on the acquisition of a subsidiary, associate or a jointly controlled entity 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 subsidiary, associate or jointly controlled entity recognised 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 purpose 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, or more frequently when there is an indication that the unit may be impaired. 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. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Revenue recognition

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

Income from the licensing and sub-licensing of television programme is recognised, upon the delivery of master tapes to customers.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Property, plant and equipment

Property, plant and equipment, other than leasehold land and buildings, are stated at cost less depreciation, amortisation and accumulated impairment losses.

Leasehold land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and amortisation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of leasehold land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the revaluation increase is credited to the income statement to the extent of the revaluation decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

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 loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Leasehold land is depreciated on a straight line basis over the term of the relevant lease and buildings are depreciated over the shorter of the term of the lease or fifty years using the straight line method.

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

Leasehold improvements	10%
Equipment, furniture and fixtures	20%
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.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the period. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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.

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.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Interests in jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an unilateral interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Television programmes and sub-licensing rights

Television programmes ("TV programmes")

TV programmes produced by the Group are stated at the lower cost and net realisable value. Costs represent the carrying amount transferred from TV programmes in progress upon completion.

Sub-licensing rights

Licence fees paid to acquire the rights for the sub-licensing of TV programmes produced by third parties in specified geographical areas and time periods are accounted for as sub-licensing rights. Upon the lease of these purchased TV programmes, the relevant portion of the licence fees are charged to the income statement on a systematic basis, with reference to the projected revenue and the underlying licence periods.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net 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.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profit will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Research and development expenditure

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

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

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

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. 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.

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

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such exchange differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefits schemes

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

4. TURNOVER

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

5. SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organised into four principal operating divisions – manufacture and trading of cables and wires, copper rods, connectors and terminals and life-like plants. The life-like plant is a new principal division following the acquisition of FT Holdings in the current period. These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

For the period 1 April 2004 to 30 June 2005

	Cables and wires	Copper rods	Connectors and terminals	Life-like plants	Others	Elimination	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER								
External sales	807,486	1,041,881	147,708	40,710	18,503	–	–	2,056,288
Inter-segment sales	11,765	191,329	679	–	–	(203,773)	–	–
Total sales	819,251	1,233,210	148,387	40,710	18,503	(203,773)	–	2,056,288
Inter-segment sales are charged at cost								
RESULT								
Segment result	(30,197)	40,348	13,608	2,303	(20,931)			5,131
Unallocated corporate income							5,901	5,901
Unallocated corporate expenses							(8,338)	(8,338)
Profit from operations								2,694
Finance costs		(20,167)		(146)	(3,312)		(8,509)	(32,134)
Impairment loss recognised in respect of goodwill				(16,212)				(16,212)
Share of results of associates								289
Loss on disposal of subsidiaries				(7,502)				(7,502)
Gain on deemed disposal of a subsidiary		1,845						1,845
Loss before taxation								(51,020)
Taxation								(10,504)
Loss before minority interests								(61,524)
Minority interests								389
Loss for the period								(61,135)

Business segments *(continued)*

At 30 June 2005

	Cables and wires	Copper rods	Connectors and terminals	Life like plants	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET						
Assets						
Segment assets	645,466	484,081	107,805	68,738	52,149	1,358,239
Interests in associates						9,885
Unallocated corporate assets						87,696
Consolidated total assets						1,455,820
Liabilities						
Segment liabilities	81,937	304,720	16,112	20,405	24,711	447,885
Unallocated corporate liabilities						118,458
Consolidated total liabilities						566,343

	Cables and wires	Copper rods	Connectors and terminals	Life like plants	Others	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER INFORMATION							
Capital additions	15,329	7,151	2,791	1,222	1,731	100	28,324
Depreciation and amortisation	23,160	11,257	2,849	3,183	5,136	8	45,593
Allowance for (reversal of) doubtful debts	23,716	(3,825)	–	14	3,586	–	23,491
Allowance for inventories	2,993	–	–	–	–	–	2,993
Impairment loss recognised in respect of property, plant and equipment	–	–	–	–	14,000	–	14,000

Business segments *(continued)*

Year ended 31 March 2004

	Cables and wires	Copper rods	Connectors and terminals	Others	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER						
External sales	613,637	472,054	102,323	9,086	–	1,197,100
Inter-segment sales	8,152	151,691	438	–	(160,281)	–
Total sales	621,789	623,745	102,761	9,086	(160,281)	1,197,100
Inter-segment sales are charged at cost.						
RESULT						
Segment result	1,657	28,197	9,816	(4,866)		34,804
Unallocated corporate income						3,772
Unallocated corporate expenses						(33,039)
Profit from operations						5,537
Finance costs						(14,798)
Share of results of associates						(5,726)
Impairment loss recognised in respect of goodwill						(63,653)
Loss before taxation						(78,640)
Taxation						(8,990)
Loss before minority interests						(87,630)
Minority interests						2,445
Loss for the year						(85,185)

Business segments *(continued)*

At 31 March 2004

	Cables and wires	Copper rods	Connectors and terminals	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET					
Assets					
Segment assets	644,403	391,100	61,537	65,545	1,162,585
Interests in associates					9,596
Unallocated corporate assets					97,025
Consolidated total assets					1,269,206
Liabilities					
Segment liabilities	85,580	26,937	18,660	1,222	132,399
Unallocated corporate liabilities					319,403
Consolidated total liabilities					451,802

	Cables and wires	Copper rods	Connectors and terminals	Others	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER INFORMATION						
Capital additions	10,881	7,292	2,551	47,733	–	68,457
Depreciation and amortisation	23,083	8,984	1,781	4,022	–	37,870
Allowance for inventories	9,601	–	–	–	–	9,601
Allowance for doubtful debts	1,305	4,050	–	–	27,188	32,543

Geographical segments

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

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

	Turnover by geographical market	
	1.4.2004 to 30.6.2005	**1.4.2003 to 31.3.2004**
	HK$'000	*HK$'000*
PRC	1,501,303	773,106
North America	222,807	201,051
Europe	41,023	39,172
Hong Kong	94,375	40,633
Other Asian regions	196,780	143,138
	2,056,288	1,197,100

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	
	30.6.2005	**31.3.2004**	**1.4.2004 to 30.6.2005**	**1.4.2003 to 31.3.2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
PRC	806,900	686,032	23,623	59,097
Hong Kong	547,161	479,311	1,849	6,783
North America	35,268	42,327	61	2,551
Other Asian regions	66,491	61,536	2,791	26
	1,455,820	1,269,206	28,324	68,457

6. PROFIT FROM OPERATIONS

	1.4.2004 to 30.6.2005 *HK$'000*	1.4.2003 to 31.3.2004 *HK$'000*
Profit from operations has been arrived at after charging:		
Auditors' remuneration		
Current year	2,158	1,496
Underprovision in prior years	–	44
	2,158	1,540
Depreciation and amortisation		
Owned assets	44,887	36,707
Assets held under finance leases	706	1,163
	45,593	37,870
Operating lease rentals in respect of rented premises	5,725	4,392
Staff costs including directors' emoluments	114,605	82,207
Research and development expenditure	3,579	2,435
Exchange loss, net	250	821
Loss on disposal of property, plant and equipment	108	–
Allowance for inventories	2,993	9,601
Impairment on club membership included in general and administrative expenses	–	600
Impairment on deposit paid for acquisition of investment included in general and administrative expenses	–	3,831
Impairment on property, plant and equipment	14,000	–
and after crediting:		
Gain on disposal of property, plant and equipment	–	10
Interest on bank deposits	4,221	715
Interest on notes receivables	4,200	3,309

7. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Particulars of the emoluments of the directors and the five highest paid individuals for the period/year were as follows:

	1.4.2004 to 30.6.2005	**1.4.2003 to 31.3.2004**
	HK$'000	*HK$'000*
Directors' fees:		
Executive directors	–	–
Independent non-executive directors	298	178
Other emoluments to executive directors:		
Salaries and other benefits	8,256	4,958
Performance related incentive payments	–	631
Contributions to retirement benefits schemes	30	24
	8,584	5,791

Emoluments of the directors were within the following bands:

	Number of directors	
	1.4.2004 to 30.6.2005	**1.4.2003 to 31.3.2004**
Nil – HK$1,000,000	4	6
HK$1,000,001 – HK$1,500,000	–	1
HK$1,500,001 – HK$2,000,000	1	–
HK$2,000,001 – HK$2,500,000	1	–
HK$3,500,001 – HK$4,000,000	1	1

The five highest paid individuals of the Group include three (Year ended 31 March 2004: two) executive directors of the Company, details of whose emoluments are included above. The emoluments of the remaining two (Year ended 31 March 2004: three) individuals for the period from 1 April 2004 to 30 June 2005 were as follows:

	1.4.2004 to 30.6.2005	**1.4.2003 to 31.3.2004**
	HK$'000	*HK$'000*
Salaries and other benefits	1,795	2,314
Performance related incentive payments	76	–
Contributions to retirement benefits schemes	125	153
	1,996	2,467

Emoluments of these individuals were within the following bands:

	Number of employees	
	1.4.2004 to 30.6.2005	**1.4.2003 to 31.3.2004**
Nil - HK$1,000,000	1	2
HK$1,000,001 - HK$1,500,000	1	1

8. FINANCE COSTS

	1.4.2004 to 30.6.2005	1.4.2003 to 31.3.2004
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	31,749	14,097
Interest on finance leases	385	701
	32,134	14,798

9. TAXATION

	1.4.2004 to 30.6.2005	1.4.2003 to 31.3.2004
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Current year	–	400
(Over)underprovision in respect of prior years	(307)	98
Taxation in other jurisdictions		
Current year	9,152	7,773
Overprovision in respect of prior years	(1,044)	(32)
	7,801	8,239
Deferred taxation *(Note 25)*		
Current year	2,703	51
Attributable to a change in tax rate	–	700
	10,504	8,990

Hong Kong Profits Tax is calculated at 17.5% (Year ended 31 March 2004: 17.5%) of the estimated assessable profit for the period/year.

Pursuant to the approvals obtained from the relevant PRC tax authorities, certain of the Company's PRC subsidiaries are entitled to exemptions from PRC enterprise income tax. Shanghai Chau's Electrical Co., Ltd. ("Shanghai Chau's") and Dongguan Hua Yi Brass Products Co., Ltd. ("Dongguan Hua Yi") are entitled to exemption from enterprise income tax for two years from their first profitable year of operations, followed by a 50% reduction for the next three years. The 50% tax relief expired on 31 December 2003 for both Shanghai Chau's and Dongguan Hua Yi and both companies are subject to PRC enterprise income tax rate of 27% commencing from 1 January 2004.

Taxation in other jurisdictions is calculated at the rates applicable in the respective jurisdictions.

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

	1.4.2004 to 30.6.2005 *HK$'000*	**1.4.2003 to 31.3.2004** *HK$'000*
Loss before taxation	(51,020)	(78,640)
Tax at the domestic income tax rate of 27% (31.3.2004: 27%)	(13,775)	(21,233)
Tax effect of expenses not deductible for tax purpose	24,389	29,383
Tax effect of income not taxable for tax purpose	(2,651)	(2,109)
Tax effect of tax losses not recognised	1,815	1,051
Utilisation of tax losses previously not recognised	(3,702)	–
Income tax on concessionary rate	4,375	(1,271)
(Over)underprovision in respect of prior years	(1,351)	66
Others	(587)	1,146
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,069	1,257
Effect on change in tax rate on opening deferred tax liabilities	–	700
Share of tax effect of associate	(78)	–
Tax charge for the period/year	10,504	8,990

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operation of the Group is substantially based.

10. LOSS PER SHARE

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

	1.4.2004 to 30.6.2005 *HK$'000*	**1.4.2003 to 31.3.2004** *HK$'000*
Results for the period/year and results for the purpose of basic loss per share	(61,135)	(85,185)

	Number of shares	
	30.6.2005	**31.3.2004**
Weighted average number of ordinary shares for the purpose of basic loss per share	320,138,287	224,816,029

As the exercise of potential ordinary shares in respect of share options would result in a reduction in the loss per share, diluted loss per share for both periods are not presented.

11. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP							
COST OR VALUATION							
At 1 April 2004	–	230,662	17,266	62,456	331,459	16,030	657,873
Currency realignment	–	–	(2)	(15)	(25)	–	(42)
Additions	14,944	2,284	1,066	2,838	5,363	1,829	28,324
Acquired on acquisition of subsidiaries	–	64,340	–	2,023	8,088	172	74,623
Disposals	–	–	(4)	(47)	–	(934)	(985)
Disposed on disposal of subsidiaries	–	(18,618)	–	(300)	–	–	(18,918)
Adjustment on valuation	–	3,545	–	–	–	–	3,545
At 30 June 2005	14,944	282,213	18,326	66,955	344,885	17,097	744,420
Comprising:							
At cost	14,944	–	18,326	66,955	344,885	17,097	462,207
At valuation – 2005	–	282,213	–	–	–	–	282,213
	14,944	282,213	18,326	66,955	344,885	17,097	744,420
DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1 April 2004	–	–	6,267	39,768	143,984	9,139	199,158
Currency realignment	–	–	(2)	(10)	(11)	–	(23)
Provided for the period	–	11,845	1,728	6,798	23,204	2,018	45,593
Impairment loss recognised	–	–	–	–	14,000	–	14,000
Eliminated on disposals	–	–	(3)	(44)	–	(730)	(777)
Eliminated on disposal of subsidiaries	–	(322)	–	(146)	–	–	(468)
Adjustment on valuation	–	(11,523)	–	–	–	–	(11,523)
At 30 June 2005	–	–	7,990	46,366	181,177	10,427	245,960
NET BOOK VALUES							
At 30 June 2005	14,944	282,213	10,336	20,589	163,708	6,670	498,460
At 31 March 2004	–	230,662	10,999	22,688	187,475	6,891	458,715

The land and buildings of the Group were revalued on 30 June 2005 at their open market value on an existing use basis by LCH (Asia-Pacific) Surveyors Limited and Chung, Chan & Associates, both being independent firms of professional property valuers, as follows:

	30.6.2005	**31.3.2004**
	HK$'000	*HK$'000*
Properties situated in the PRC		
– held under medium term leases	257,953	210,322
– held under long term leases	13,060	12,200
Properties situated in Hong Kong held under medium term leases	11,200	8,140
	282,213	230,662

The net surplus arising on revaluation of HK$15,068,000 (31.3.2004: HK$7,708,000) has been credited to the asset revaluation reserve.

If leasehold land and buildings had not been revalued, they would have been included on a historical cost basis at the following amounts:

	30.6.2005	**31.3.2004**
	HK$'000	*HK$'000*
Cost	247,175	244,891
Accumulated depreciation	(36,556)	(31,082)
Net book value	210,619	213,809

At 30 June 2005, the net book value of property, plant and equipment of the Group includes plant and machinery of HK$4,590,000 (31.3.2004: HK$4,609,000) and motor vehicles of HK$226,000 (31.3.2004: HK$1,433,000) in respect of assets held under finance leases.

During the period, continuing operating losses were recorded at a subsidiary which is engaged in the manufacture and trading of chemical products in the PRC. The Directors have estimated the recoverable amount of the relevant plant and machinery employed in the manufacture of chemical products by reference to value-in-use. Based on the discounted future cash flows, the recoverable amount is less than their carrying amount. Accordingly, an impairment loss of HK$14,000,000 has been recognised in the income statement.

12. GOODWILL

	THE GROUP
	30.6.2005
	HK$'000
COST	
Arising on acquisition of subsidiaries and at 30 June 2005	16,212
IMPAIRMENT	
Impairment loss recognised and at 30 June 2005	16,212
CARRYING AMOUNT	
At 30 June 2005	–
At 31 March 2004	–

Goodwill acquired in the business combination as detailed in note 2 is allocated, at acquisition, to the operation of manufacture and trading of life-like plants by the Directors that are expected to benefit from that business combination.

The recoverable amount of the operation are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the operation. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets for the next financial year approved by management and further extrapolated for the next four years based on an estimated steady growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows is 5%.

However, the estimated cash flow forecasts of the operation prepared by the management indicated that the attributable goodwill amounted to HK$16,212,000 has been fully impaired in the income statement.

13. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	30.6.2005	**31.3.2004**
	HK$'000	*HK$'000*
Unlisted shares, at cost	151,667	151,667
Amounts due from subsidiaries	1,234,725	1,209,808
Less: Impairment losses recognised	(583,009)	(583,009)
	803,383	778,466

The amounts due from subsidiaries are unsecured and interest free. In the opinion of the Directors, no repayment will be demanded within the next twelve months. Accordingly, the amounts are classified as non-current assets.

The following list contains only the particulars of the subsidiaries at 30 June 2005 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 registration/ 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
Brightpower Assets Management Limited	British Virgin Islands	US$1	100%	Investment holding
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
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
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd. #	PRC	US$9,850,000 *(Note 2)*	100%	Manufacture and trading of copper products

Name of company	Place of incorporation or registration/ 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
東莞橋梓周氏電業有限公司 Dongguan Qiaozi Chau's Electrical Co., Ltd. *	PRC	HK$5,000,000 *(Note 3)*	100%	Manufacture and trading of cable and wire products
東莞聯藝塑膠製品有限公司 Dongguan United Art Plastic Products Limited *	PRC	HK$49,000,000 *(Note 4)*	100%	Manufacture of life-like Christmas trees
東莞新寶精化有限公司 Dongguan Xin Bao Precision Chemical Co., Ltd. *	PRC	HK$45,000,000	85%	Manufacture and trading of chemical products
FT China Limited	Hong Kong	HK$2	100%	Manufacture of life-like decorative plants
FT Far East Limited	Hong Kong	HK$2	100%	Trading of life-like decorative plants
FT Multi-Media Limited	British Virgin Islands/PRC	US$10,000	60%	Production, acquisition and distribution of television programmes and provision of related multi-media services
Gosberton Assets Limited	British Virgin Islands	US$1	100%	Holding of trademarks
Hua Yi Copper Holdings Limited	Bermuda	HK$111,094,900	71.5%	Investment holding
Hua Yi Copper Products Company Limited	Hong Kong	HK$5,000,000	100%	Manufacture and trading of copper products
昆山周氏電業有限公司 Kunshan Chaus' Electrical Company Limited #	PRC	US$1,170,500	100%	Manufacture and trading of cable and wire products
昆山華藝銅業有限公司 Kunshan Hua Yi Copper Products Company Limited #	PRC	US$1,650,000	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	65%	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	90.5%	Trading in wire harness and connectors

Name of company	Place of incorporation or registration/ 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
TEM Electronics (M) Sdn. Bhd.	Malaysia	RM500,000	100%	Manufacture of wire harness and connectors
Wah Yeung Capital Resources Limited	British Virgin Islands	US$1	100%	Investment holding
Yellowstone Assets Limited	British Virgin Islands	US$1	100%	Investment holding

* *Equity joint venture*
\# *Wholly foreign owned enterprise*

Notes:

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

2. Prior to January 2004, Dongguan Hua Yi was an equity joint venture with a registered capital of US$9,850,000. The Group has solely contributed all the registered capital of Dongguan Hua Yi. No contribution was made by the PRC joint venture partner and accordingly the Group was entitled to the entire profit or loss of Dongguan Hua Yi. Pursuant to a supplemental agreement dated 5 August 2003, the PRC joint venture partner agreed to surrender its ownership in Dongguan Hua Yi to the Group at no consideration. The transfer has been approved by the PRC relevant authority and Dongguan Hua Yi became a wholly foreign owned enterprise since January 2004.

3. Dongguan Qiaozi Chau's Electrical Co., Ltd. ("Qiaozi Chau's") was established by the Group with an independent Chinese party in the PRC. Under the management agreement with the Chinese party, the Group is responsible for all of the assets and liabilities of the joint venture and is entitled to the net profit derived from its operations after the payment of a fixed amount as management fee to the Chinese party each year.

4. Pursuant to a joint venture agreement dated 8 September 1993 (the "Joint Venture Agreement") entered into between FT China Limited and a party in PRC, FT China Limited held a 75% equity interest in Dongguan United Art Plastic Products Limited ("DUAP").

   On 28 March 1996, the relevant PRC authorities approved the increase of the equity interest held by FT China Limited in DUAP from 75% to 90%, pursuant to an agreement signed between FT China Limited and the PRC joint venture partner on 22 March 1996. Following the approval of this agreement, the PRC joint venture partner is entitled to a 10% share of the assets and liabilities of DUAP.

   Pursuant to the Joint Venture Agreement, the PRC joint venture partner agreed to waive its entitlement to share in the profits and losses of DUAP in return for an annual management fee of HK$55,556. Pursuant to a supplemental agreement to the Joint Venture Agreement, all of the assets of DUAP will be assigned to FT China Limited upon the expiry of the Joint Venture Agreement. Accordingly, all assets, liabilities and the operating results of DUAP are consolidated into these financial statements as if it is a wholly-owned subsidiary of the Group.

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

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

14. INTERESTS IN ASSOCIATES

	THE GROUP	
	30.6.2005	**31.3.2004**
	HK$'000	*HK$'000*
Share of net assets	9,885	9,596
Amount due from an associate	5,000	5,000
Less: Impairment losses recognised	(5,000)	(5,000)
	9,885	9,596

The amount due from an associate is unsecured and interest free. In the opinion of the Directors, no repayment will be demanded within the next twelve months. Accordingly, the amount is classified as non-current asset.

The following list contains only the particulars of the associate at 30 June 2005 which principally affects the results of the period or form a substantial portion of the net assets or liabilities 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	Place of incorporation	Proportion of nominal value of issued capital indirectly held by the Company	Principal activities
侯馬普天榮盛光纜有限公司	PRC	20%	Manufacture and trading of optical fibre cable and related products

15. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	30.6.2005	**31.3.2004**
	HK$'000	*HK$'000*
Share of net assets	368	368
Less: Impairment losses recognised	(368)	(368)
	–	–

Particulars of the Group's jointly controlled entity as at 30 June 2005 is as follows:

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

16. NOTES RECEIVABLE

Pursuant to a sale and purchase agreement entered into between a Company's subsidiary and an independent third party in 2003, the Group had disposed of certain subsidiaries at a total consideration of HK$60,000,000 of which HK$5,000,000 was settled in cash and HK$55,000,000 will be settled by promissory notes. The notes are secured by assets owned by the notes issuer, carry interest at commercial rates and are wholly repayable in 2007.

17. INVENTORIES

	THE GROUP	
	30.6.2005	**31.3.2004**
	HK$'000	*HK$'000*
Raw materials	111,131	113,700
Work in progress	23,250	15,020
Finished goods	170,261	100,554
	304,642	229,274

All inventories are stated at cost.

18. TELEVISION PROGRAMMES AND SUB-LICENSING RIGHTS

	THE GROUP	
	30.6.2005	**31.3.2004**
	HK$'000	*HK$'000*
Television programmes	386	–
Sub-licensing rights	577	–
	963	–

19. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the Group's debtors, deposits and prepayments were trade debtors of HK$282,918,000 (31.3.2004: HK$269,426,000). The Group allows an average credit period of 45 days to its trade customers.

The aging analysis of trade debtors is as follows:

	THE GROUP	
	30.6.2005	**31.3.2004**
	HK$'000	*HK$'000*
Within 30 days	164,035	134,510
31 – 60 days	63,875	69,655
61 – 90 days	32,444	27,706
Over 90 days	22,564	37,555
	282,918	269,426

20. BILLS RECEIVABLE

The aging analysis of bills receivable as at 30 June 2005 and 31 March 2004 is within 90 days.

21. CREDITORS AND ACCRUED CHARGES

Included in the Group's creditors and accrued charges were trade creditors of HK$95,752,000 (31.3.2004: HK$81,445,000).

The aging analysis of trade creditors is as follows:

	THE GROUP	
	30.6.2005	**31.3.2004**
	HK$'000	*HK$'000*
Within 30 days	51,338	45,146
31 - 60 days	27,522	26,713
61 - 90 days	14,665	7,801
Over 90 days	2,227	1,785
	95,752	81,445

22. BILLS PAYABLE

The aging analysis of bills payable at 30 June 2005 and 31 March 2004 in within 90 days.

23. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	30.6.2005	**31.3.2004**	**30.6.2005**	**31.3.2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases				
Within one year	2,386	3,249	2,144	1,786
In the second to fifth year inclusive	2,274	1,036	2,060	2,087
	4,660	4,285		
Less: Future finance charges	(456)	(412)		
Present value of lease obligations	4,204	3,873	4,204	3,873
Less: Amount due within one year			(2,144)	(1,786)
Amount due after one year			2,060	2,087

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 4 years. For the period from 1 April 2004 to 30 June 2005, the average effective borrowing rate was 6.1% (Year ended 31 March 2004: 5.4%) per annum. Interest rates were fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have 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.

24. BORROWINGS

	THE GROUP	
	30.6.2005	**31.3.2004**
	HK$'000	*HK$'000*
Borrowings are analysed as follows:		
Bank overdrafts	1,315	175
Bank loans	81,168	101,118
Trust receipt loans	234,500	135,074
Invoice financing loans	36,083	55,201
Other loans *(Note)*	14,279	–
	367,345	291,568
Secured	227,920	175,542
Unsecured	139,425	116,026
	367,345	291,568

Note: Other loans bear interest at commercial rates.

All the above borrowings are repayable on demand or within one year.

25. DEFERRED TAXATION

The followings are the major deferred tax (assets) liabilities recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation	Tax losses	Allowance for doubtful debts	Allowance for inventories	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP						
At 1 April 2003	9,542	(1)	(1,418)	–	–	8,123
Exchange difference	(1)	–	–	–	–	(1)
Charge (credit) to income statement for the year	2,382	(522)	827	(2,636)	–	51
Charge to equity for the year	1,557	–	–	–	–	1,557
Effect of change in tax rate						
– charge (credit) to income statement	709	–	(9)	–	–	700
– charge to equity	13	–	–	–	–	13
At 31 March 2004	14,202	(523)	(600)	(2,636)	–	10,443
Exchange difference	(1)	–	–	–	–	(1)
Charge (credit) to income statement for the period	6,163	(4,380)	426	780	(286)	2,703
Charge to equity for the period	1,702	–	–	–	–	1,702
At 30 June 2005	22,066	(4,903)	(174)	(1,856)	(286)	14,847

For the purpose of balance sheet presentation, the above deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised).

	THE GROUP	
	30.6.2005	**31.3.2004**
	HK$'000	*HK$'000*
Deferred tax liabilities	14,867	11,809
Deferred tax assets	(20)	(1,366)
	14,847	10,443

At 30 June 2005, the Group has unused tax losses of HK$72,742,000 (31.3.2004: HK$9,500,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$28,844,000 (31.3.2004: HK$2,988,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. The tax losses of HK$62,878,000 may be carried forward indefinitely and the remaining of HK$9,864,000 can be carried forward for a maximum of five years.

The Company has unused tax losses of HK$1,000,000 (31.3.2004: HK$1,000,000) at 30 June 2005. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

26. SHARE CAPITAL

	Number of shares		Share capital	
	30.6.2005	**31.3.2004**	**30.6.2005**	**31.3.2004**
	'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 period/year	272,974	189,584	2,730	1,896
Placements of new shares	119,390	83,390	1,194	834
At end of the period/year	392,364	272,974	3,924	2,730

During the period, pursuant to two subscription agreements entered into between the Company and Chau's Family 1996 Limited, 54,000,000 ordinary shares of HK$0.01 each and 65,390,000 ordinary shares of HK$0.01 each in the Company were issued at a price of HK$0.27 per share and HK$0.28 per share respectively. All the new shares issued rank pari passu in all respects with the then existing shares. Details of these transactions were set out in the Company's announcements dated 17 June 2004 and 24 May 2005 respectively.

27. RESERVES

	Share premium	Contributed surplus	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY				
At 1 April 2003	–	738,558	(4,425)	734,133
Placement of new shares	43,136	–	–	43,136
Expenses incurred in relation to the placement of new shares	(965)	–	–	(965)
Loss for the year	–	–	(878)	(878)
At 31 March 2004	42,171	738,558	(5,303)	775,426
Placement of new shares *(Note 26)*	31,695	–	–	31,695
Expenses incurred in relation to the placement of new shares	(2,613)	–	–	(2,613)
Loss for the period	–	–	(5,085)	(5,085)
At 30 June 2005	71,253	738,558	(10,388)	799,423

The contributed surplus of the Company represents:

(i) the difference between the consolidated shareholders' funds of subsidiaries at the date on which the group reorganisation became effective and the nominal amount of the share capital of the Company issued under the group reorganisation in 1996; and

(ii) 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.

In addition to the retained profits, under the Companies Act 1981 of Bermuda, contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the Directors, the Company's reserves available for distribution to shareholders as at 30 June 2005 amounted to HK$728,170,000 (31.3.2004: HK$733,255,000).

28. ACQUISITION OF SUBSIDIARIES

In August 2004, the Company subscribed for 8,000,000,000 ordinary shares of HK$0.01 each of FT Holdings. The consideration was satisfied by injection for the Group's interest in certain companies (the "Copper Group") and plant and machinery and land and buildings engaging in manufacture and trading of copper rods and related products. Immediately after the completion of the transaction, the Group's interest in FT Holdings was 75.5%. In order to maintain the sufficiency of public float of FT Holdings, the Company disposed of 57,562,500 shares of FT Holdings to third parties at a consideration of HK$2,307,000, resulting in a gain on disposal of HK$797,000 which has been included in other operating income.

The effect of acquisition of FT Holdings and its subsidiaries is summarised as follows:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
NET ASSETS ACQUIRED			
Property, plant and equipment	74,623	–	74,623
Television programmes and sub-licensing rights	3,509	–	3,509
Inventories	18,363	(200)	18,163
Debtors, deposits and prepayments	8,328	–	8,328
Pledged deposits	5,000	–	5,000
Bank balances and cash	41,546	–	41,546
Creditors and accrued charges	(19,780)	–	(19,780)
Bills payable	(7,769)	–	(7,769)
Taxation	(460)	–	(460)
Obligations under finance leases	(309)	–	(309)
Borrowings	(14,472)	–	(14,472)
	108,579	(200)	108,379
Goodwill			16,212
Minority interests			(26,553)
Total consideration			98,038
Satisfied by:			
Disposal of 24.5% interests in the Copper Group			47,900
Cash paid for expenses related to acquisition			36,904
Expenses payable related to acquisition			13,234
Total consideration			98,038
Net cash inflow arising on acquisition:			
Cash paid for expenses related to acquisition			(36,904)
Bank balances and cash acquired			41,546
Net inflow of cash and cash equivalents in respect of the acquisition			4,642

The goodwill arising on acquisition is attributable to the anticipated profitability of the distribution of the Group's life-like plants in the new markets.

The subsidiaries acquired during the period contributed HK$42,964,000 to the Group's turnover and HK$26,000 to the Group's profit from operation after the acquisition.

If the acquisition had been completed on 1 April 2004, the Group's turnover for the period and loss for the period would have been HK$2,079,000,000 and HK$79,763,000 respectively. The financial information is for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2004, nor is it intended to be a projection of future results.

29. DISPOSAL OF SUBSIDIARIES

In April 2005, the Group disposed of its entire equity interests in FT Holdings Limited and FT Properties Limited. The net assets of these subsidiaries at the date of disposal were as follows:

	HK$'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	18,450
Debtors, deposits and prepayments	70
Bank balances and cash	15
Accrued charges	(10)
Taxation	(23)
	18,502
Loss on disposal	(7,502)
Total consideration	11,000
SATISFIED BY	
Cash consideration	11,000
Net cash inflow arising on disposal:	
Cash consideration	11,000
Bank balances and cash disposed of	(15)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	10,985

The subsidiaries disposed of in the current period did not have any significant impact on the Group's cash flows or operating results.

30. DEEMED DISPOSAL OF A SUBSIDIARY

During the period, a subsidiary of the Company, Skywalk entered into agreements to place and subscribe for new shares in Hua Yi Copper. Pursuant to the agreements, Skywalk has agreed to place 25,912,000 ordinary shares of HK$0.2 each in Hua Yi Copper at a price of HK$0.93 per share and to subscribe for 25,912,000 new ordinary shares of Hua Yi Copper at a price of HK$0.93 per share. Accordingly, the Group's interest in Hua Yi Copper has been diluted from 74.99% to 71.49%, resulting in a gain on deemed disposal of HK$1,845,000.

31. MAJOR NON-CASH TRANSACTIONS

During the period, the Group entered into finance leases in respect of assets with a total capital value at the inception of the leases amounted to HK$2,882,000 (Year ended 31 March 2004: HK$2,439,000).

32. CAPITAL COMMITMENTS

	THE GROUP	
	30.6.2005	**31.3.2004**
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of:		
Land use right	–	10,287
Leasehold improvements	18,561	224
Equipment, furniture and fixtures	–	–
Plant and machinery	9,266	619
	27,827	11,130

At 30 June 2005, a subsidiary of the Company was committed to invest HK$60,676,000 (31.3.2004: HK$70,110,000) for the injection of registered capital of two subsidiaries within two years.

The Company did not have any capital commitment as at 30 June 2005 and 31 March 2004.

33. 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	
	30.6.2005	**31.3.2004**
	HK$'000	*HK$'000*
Within one year	5,098	3,841
In the second to fifth year inclusive	3,467	5,756
	8,565	9,597

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

The Company did not have any operating lease commitment as at 30 June 2005 and 31 March 2004.

34. CONTINGENT LIABILITIES

At 30 June 2005, the Company has given guarantees to the extent of HK$329,945,000 (31.3.2004: HK$389,718,000) to bankers to secure general banking facilities granted to certain subsidiaries, of which, HK$207,030,000 (31.3.2004: HK$229,890,000) was utilised. In addition, the Company has given guarantees to a financial institution amounting to HK$38,950,000 (31.3.2004: Nil) in respect of commodity trading of copper by certain subsidiaries. A subsidiary of the Company has also given guarantees to banks in respect of bills of exchange discounted with recourse amounted to HK$9,066,000 (31.3.2004: HK$2,295,000).

35. PLEDGE OF ASSETS

At 30 June 2005, the Group has pledged certain of its assets with a net book value of HK$212,263,000 (31.3.2004: HK$181,991,000) to secure general banking facilities granted to the Group. The net book value of these assets are analysed as follows:

	THE GROUP	
	30.6.2005	**31.3.2004**
	HK$'000	*HK$'000*
Property, plant and equipment	150,754	142,410
Fixed bank deposits	48,331	23,107
Trade debtors	13,178	16,474
	212,263	181,991

36. SHARE OPTION SCHEMES

The Company

The Company's old share option scheme adopted in 1996 (the "Old Share Option Scheme") was terminated in September 2002 and no further options will be granted thereunder but in all other respects, the provisions of the scheme should remain in force and all outstanding share options granted prior to such termination continue to be valid and exercisable in accordance therewith.

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

The total number of shares in respect of which options may be granted under the New 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.

The following table discloses movements in the Company's New Share Option Scheme during the period:

				Number of share options		
Capacity	Date of grant	Exercisable period	Exercise price *HK$*	Outstanding at 1.4.2004	Granted during the period	Outstanding at 30.6.2005
Others	6 May 2005	26 May 2005 to 25 May 2008	0.32	–	18,950,000	18,950,000

No options were granted under the New Share Option Scheme in the prior year. Total consideration received during the period for taking up the options granted amounted to HK$2 (Year ended 31 March 2004: Nil).

The following table discloses movements in the Company's Old Share Option Scheme during the prior year:

					Number of share options		
Capacity	Date of grant	Vesting period	Exercisable period	Exercise price *HK$*	Outstanding at 1.4.2003	Lapsed during the year	Outstanding at 31.3.2004
Directors	5 October 2000	6 months	5 April 2001 to 4 April 2003	1.50	2,850,000	(2,850,000)	–
Employees	5 October 2000	6 months	5 April 2001 to 4 April 2003	1.50	1,680,000	(1,680,000)	–
Employees	13 August 2001	6 months	13 February 2002 to 12 February 2004	1.00	2,850,000	(2,850,000)	–
					4,530,000	(4,530,000)	–
Total					7,380,000	(7,380,000)	–

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Hua Yi Copper

On 4 December 2003, Hua Yi Copper adopted a new share option scheme (the "Hua Yi New Share Option Scheme") which replaced its old share option scheme adopted in 1996 (the "Hua Yi Old Share Option Scheme"). The Hua Yi Old Share Option Scheme will remain in force until it expires on 2 January 2007.

Under the Hua Yi New Share Option Scheme, the directors may, at their discretion, grant to full-time employees and executive directors of Hua Yi Copper and its subsidiaries, the right to take up options to subscribe for shares of Hua Yi Copper. Additionally, Hua Yi Copper may, from time to time, grant share options to outside third parties for services provided to Hua Yi Copper. The Hua Yi New Share Option Scheme, unless otherwise cancelled or amended, will expire on 3 December 2013. The subscription price of options is subject to a minimum which is the higher of the nominal value of a share, the closing price of the shares on the Stock Exchange on the date of grant and the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the grant date of the options.

The maximum number of unexercised share options permitted to be granted under the Hua Yi New Share Option Scheme must not exceed 10% of the shares of Hua Yi Copper in issue at any time. No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the Hua Yi New Share Option Scheme exceeding 30% of the aggregate number of shares subject to the Hua Yi New Share Option Scheme, at the time it is proposed to grant the relevant option to such person.

The acceptance of an option, if accepted, must be made within 21 days from the date of the offer of the grant with a non-refundable payment of HK$1 from the grantee to Hua Yi Copper.

The total number of shares issued and to be issued upon exercise of options granted to each participant (including exercised, cancelled and outstanding options) in 12-month period must not exceed 1% of the shares in issue from time to time unless the same is approved by the shareholders.

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

The following table discloses movements in Hua Yi New Share Option Scheme during the period:

				Number of share options			Number of share options exercisable for the period		
Capacity	Date of grant	Exercisable period	Exercise price *HK$*	Outstanding at 1.4.2004	Granted during the period	Outstanding at 30.6.2005	1.4.2005 to 31.3.2006	1.4.2006 to 31.3.2007	1.4.2007 to 31.3.2008
Employees	1 April 2005	1 April 2005 to 31 March 2008	0.87	–	1,600,000	1,600,000	1,200,000	1,400,000	1,600,000
Employees	1 April 2005	1 April 2005 to 31 March 2007	0.87	–	1,500,000	1,500,000	750,000	1,500,000	1,500,000
Others	1 April 2005	1 April 2005 to 31 March 2008	0.87	–	9,856,000	9,856,000	9,856,000	9,856,000	9,856,000
Total				–	12,956,000	12,956,000	11,806,000	12,756,000	12,956,000

No options were granted under the Hua Yi New Share Option Scheme in the prior year. Total consideration received during the period for taking up the options granted amounted to HK$10 (Year ended 31 March 2004: Nil).

The following table discloses movements in the Hua Yi Old Share Option Scheme during the current period and prior year:

For the period 1 April 2004 to 30 June 2005

Capacity	Date of grant	Exercisable period	Exercise price HK$	Number of share options: Outstanding at 1.4.2004	Lapsed during the period	Adjustment during the period (Note)	Outstanding at 30.6.2005
Employees	7 March 1997	7 March 1997 to 6 March 2007	0.7056	9,500,000	(5,500,000)	(4,000,000)	–
			14.1120	–	–	200,000	200,000
Total				9,500,000	(5,500,000)	(3,800,000)	200,000

For the year ended 31 December 2003

Capacity	Date of grant	Exercisable period	Exercise price HK$	Number of share options: Outstanding at 1.4.2003	Lapsed during the year	Reclassified during the year	Outstanding at 31.12.2003
Directors	7 March 1997	7 March 1997 to 6 March 2007	0.7056	8,000,000	(4,000,000)	(4,000,000)	–
Employees	7 March 1997	7 March 1997 to 6 March 2007	0.7056	6,000,000	(500,000)	4,000,000	9,500,000
Total				14,000,000	(4,500,000)	–	9,500,000

Note: Hua Yi Copper undertook a share consolidation on 30 December 2004. The then outstanding number of share options and their subscription prices had been adjusted accordingly.

37. RETIREMENT BENEFITS SCHEME

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

Pursuant to the PRC Government regulations, the Group is required to contribute to a central pension scheme in respect of certain of the Group's employees in the PRC based on 10% to 24.5% of the salaries of those employees and there is no forfeited contributions under the central pension scheme.

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

During the period, the Group made retirement benefits schemes contributions of HK$4,380,000 (Year ended 31 March 2004: HK$2,942,000).

38. RELATED PARTY TRANSACTION

A director of the Group has provided personal guarantee to the extent of HK$16,000,000 (31.3.2004: HK$16,000,000) to banks for credit facilities granted to certain subsidiaries of the Company.

39. POST BALANCE SHEET EVENTS

(i) On 4 July 2005, Skywalk entered into agreements to place and subscribe for new shares in Hua Yi Copper. Pursuant to the agreements, Skywalk has agreed to place 111,000,000 ordinary shares of HK$0.2 each in Hua Yi Copper to independent investors at a price of HK$0.88 per share and to subscribe for 111,000,000 new ordinary shares of HK$0.2 each in Hua Yi Copper at a price of HK$0.88 per share. The net proceeds from the placement of shares amounted to approximately HK$92.7 million and the Group's interest in Hua Yi Copper has been diluted from 71.5% to 59.6%.

(ii) On 8 September 2005, the Group entered into an agreement with Fujian Zijin Investment Co., Ltd. and Minxi Xinghang State-owned Assets Investment Co., Ltd. under which the parties have agreed to jointly establish a limited liability joint venture company ("JV") in Fujian Province, the PRC to mainly engage in copper pipes production and sales in Shanghang, Fujian. Pursuant to the agreement, the proposed registered capital of the JV is RMB40.5 million, of which RMB18.2 million, representing a 45% equity interest in the JV, will be contributed by the Group in cash.

7. UNAUDITED FINANCIAL STATEMENTS

The following is the unaudited financial statements of the Group for the six months ended 31 December 2005, as extracted from the Group's interim report for the six months ended 31 December 2005:–

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2005

		For the six months ended	
		31 December 2005	**30 September 2004**
	Notes	*HK$'000* (Unaudited)	*HK$'000* (Unaudited)
Turnover	*4*	1,049,299	827,725
Cost of sales		(956,457)	(748,838)
Gross profit		92,842	78,887
Other income		10,261	9,891
Interest income		4,063	3,211
General and administrative expenses		(60,024)	(43,444)
Selling and distribution expenses		(12,323)	(8,900)
Change in fair value of derivative financial instruments	*16*	(4,819)	–
Finance costs		(15,970)	(10,711)
Share of results of associates		116	129
Gain on deemed disposal of a subsidiary	*19*	19,576	–
Profit before taxation	*5*	33,722	29,063
Taxation	*6*	(2,141)	(6,720)
Profit for the period		31,581	22,343
Attributable to:			
Equity holders of the parent		22,509	20,269
Minority interests		9,072	2,074
		31,581	22,343
Earnings per share – basic	8	5.74 cents	6.73 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2005

	Notes	**31.12.2005** *HK$'000* (Unaudited)	**30.6.2005** *HK$'000* (Audited) (Restated)
Non-current assets			
Property, plant and equipment	*9*	469,054	379,405
Prepaid lease payments for land – non-current portion		87,029	81,507
Interests in associates		10,189	9,885
Interests in jointly controlled entities		5,153	–
Notes receivable	*10*	55,000	55,000
Deferred tax assets		20	20
		626,445	525,817
Current assets			
Inventories		288,198	304,642
Television programmes and sub-licensing rights		1,000	963
Debtors, deposits and prepayments	*11*	395,515	392,108
Bills receivable	*12*	99,733	5,605
Prepaid lease payments for land – current portion		2,143	2,010
Pledged deposits		28,112	48,331
Bank balances and cash		257,918	140,806
		1,072,619	894,465
Current liabilities			
Creditors and accrued charges	*13*	152,100	164,187
Bills payable	*14*	58,966	9,749
Taxation		6,973	5,991
Obligations under finance leases		1,426	2,144
Borrowings	*15*	492,631	367,345
Derivative financial instruments	*16*	3,525	–
		715,621	549,416
Net current assets		356,998	345,049
Total assets less current liabilities		983,443	870,866

	Notes	31.12.2005 *HK$'000* (Unaudited)	30.6.2005 *HK$'000* (Audited) (Restated)
Non-current liabilities			
Obligations under finance leases		1,581	2,060
Deferred tax liabilities		14,901	13,576
		16,482	15,636
		966,961	855,230
Capital and reserves			
Share capital	*17*	3,924	3,924
Reserves		782,378	751,893
Equity attributable to equity holders of the parent		786,302	755,817
Minority interests		180,659	99,413
Total equity		966,961	855,230

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2005

	Attributable to equity holders of the parent											
	Share capital HK$'000	Share premium HK$'000	Asset revaluation reserve HK$'000	Goodwill reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2004												
– as originally stated	2,730	42,171	22,814	355	4,474	(15,698)	587,012	159,520	–	803,378	14,026	817,404
– effects of changes in accounting policies	–	–	(11,522)	–	–	–	–	(861)	–	(12,383)	(196)	(12,579)
– as restated	2,730	42,171	11,292	355	4,474	(15,698)	587,012	158,659	–	790,995	13,830	804,825
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	–	(86)	–	–	–	(86)	–	(86)
Profit for the period	–	–	–	–	–	–	–	20,269	–	20,269	2,074	22,343
Total recognised income and expense for the period	–	–	–	–	–	(86)	–	20,269	–	20,183	2,074	22,257
Placement of new shares	540	14,040	–	–	–	–	–	–	–	14,580	–	14,580
Expenses incurred in relation to the placement of new shares	–	(1,977)	–	–	–	–	–	–	–	(1,977)	–	(1,977)
Minority interest arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	74,453	74,453
Partial disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	1,510	1,510
Transfer upon partial disposal of a subsidiary	–	–	(1,164)	–	–	–	–	1,164	–	–	–	–
At 30 September 2004	3,270	54,234	10,128	355	4,474	(15,784)	587,012	180,092	–	823,781	91,867	915,648
At 1 July 2005												
– as originally stated	3,924	71,253	33,202	355	4,474	(15,936)	587,012	99,549	–	783,833	105,644	889,477
– effects of changes in accounting policies	–	–	(22,511)	–	–	–	–	(7,378)	4,020	(25,869)	(7,084)	(32,953)
– as restated	3,924	71,253	10,691	355	4,474	(15,936)	587,012	92,171	4,020	757,964	98,560	856,524
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	–	5,829	–	–	–	5,829	19	5,848
Profit for the period	–	–	–	–	–	–	–	22,509	–	22,509	9,072	31,581
Total recognised income for the period	–	–	–	–	–	5,829	–	22,509	–	28,338	9,091	37,429
Increase in minority interests arising from deemed disposal of a subsidiary *(note 19)*	–	–	–	–	–	–	–	–	–	–	73,008	73,008
At 31 December 2005	3,924	71,253	10,691	355	4,474	(10,107)	587,012	114,680	4,020	786,302	180,659	966,961

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2005

	For the six months ended	
	31 December 2005	**30 September 2004**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	4,167	(1,618)
Net cash used in investing activities:		
Additions of property, plant and equipment	(101,079)	(12,167)
Additions of prepaid lease payments for land	(6,660)	–
Other investing cash flows	19,129	3,734
	(88,610)	(8,433)
Net cash from financing activities:		
New borrowings raised	824,899	614,253
Repayment of borrowings	(699,613)	(596,414)
Proceeds from issues of shares	–	14,580
Proceeds from placement of shares of a listed subsidiary	92,584	–
Other financing cash flows	(17,176)	(11,738)
	200,694	20,681
Net increase in cash and cash equivalents	116,251	10,630
Cash and cash equivalents at beginning of the period	140,806	143,455
Effect of foreign exchange rate changes	861	–
Cash and cash equivalents at end of the period	257,918	154,085
Being:		
Bank balances and cash	257,918	155,450
Bank overdrafts	–	(1,365)
	257,918	154,085

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2005

1. BASIS OF PREPARATION

The condensed financial statements of the company and its subsidiaries (the "Group") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

Due to a change in the financial year end from 31 March to 30 June, the comparative condensed consolidated income statement, the comparative condensed cash flow statement and statement of changes in equity for the six months ended 30 September 2004 represent the results and cash flows of the Group's first interim period of the financial year ended 30 June 2005.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the period from 1 April 2004 to 30 June 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 "Business combinations", HKAS 36 "Impairment of assets" and HKAS 38 "Intangible assets" which the Group had early adopted in the accounting period ended 30 June 2005. The application of the other new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an affect on how the results for the current or prior accounting periods are prepared and presented:

Owner-occupied leasehold interest in land

The Group has leasehold land and land use rights in the People's Republic of China (the PRC), with buildings erected on them for manufacturing purposes. In previous years, these property interests were included in property, plant and equipment and measured using the revaluation model. Under HKAS 17 "Leases", the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. (See Note 3 for the financial impact.)

Financial instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements of the Group. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 30 June 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gain or losses included in the profit or loss. "Held-to-maturity investments" are carried at amortised cost less impairment loss (if any). From 1 January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1 July 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39.

Derivatives financial instruments

By 30 June 2005, the Group's derivative financial instruments, mainly comprised future contracts, foreign exchange forward contracts and interest rates swaps, were previously recorded off balance sheet except for net interest on interest rate swaps, which were previously accounted for on an accrual basis.

From 1 July 2005 onwards, HKAS 39 requires derivative financial instruments that are within the scope of HKAS 39 to be carried at fair value at each balance sheet date, regardless of whether they are designated as effective hedging instruments. Derivatives (including embedded derivatives separately accounted for from non-derivative host contracts) are deemed as held for trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. Derivative financial instruments that do not qualify for hedge accounting are deemed as investments held for trading. Changes in fair value of such derivative financial instruments are recognised in profit or loss as they arise. The Group has applied the relevant transitional provisions in HKAS 39. (See Note 3 for the financial impact.)

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1 July 2005. As a result, the Group's bill receivables with full recourse which were derecognised prior to 1 July 2005 have not been restated. As at 31 December 2005, the Group's bills receivables with full recourse have not been derecognised. Instead, the related borrowings of HK$87,100,000 have been recognised on the balance sheet date. This change has had no material effect on the results for the current period.

Share-based payments

In the current period, the Group has applied HKFRS 2 *"Share-based Payment"* which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of employees' and eligible parties share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 July 2005. In relation to share options granted before 1 July 2005, the Group has not applied HKFRS 2 to share options granted after 7 November 2002 and had vested before 1 July 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 July 2005. Comparative figures have been restated. (See Note 3 for the financial impact.)

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors anticipate that the adoption of the following standards and interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2006.
[3] Effective for annual periods beginning on or after 1 December 2005.
[4] Effective for annual periods beginning on or after 1 March 2006.

3. **SUMMARY OF THE EFFECTS OF THE CHANGES IN THE ACCOUNTING POLICIES**

(i) The effects of the changes in the accounting policies on the results for the six months ended 31 December 2005 are:

	Effect of adopting HKAS 39 *HK$'000*
Change in fair value of derivative financial instruments	(4,819)
Decrease in profit for the period	(4,819)
Attributable to:	
Equity holders of the Company	(1,000)
Minority interests	(3,819)
	(4,819)

(ii) The effects of the changes in the accounting policies on the results for the six months ended 30 September 2004 are not significant.

(iii) The cumulative effects of the changes in the accounting policies on the condensed consolidated balance sheet as at 30 June 2005 and 1 July 2005 are summarised below:

Consolidated balance sheet items

	As at 30.6.2005 (originally stated) *HK$'000*	HKAS 17 Adjustments *HK$'000*	HKFRS 2 Adjustments *HK$'000*	As at 30.6.2005 *HK$'000*	HKAS 39 Adjustments *HK$'000*	As at 1.7.2005 *HK$'000*
Property, plant and equipment	498,460	(119,055)	–	379,405	–	379,405
Lease premium for land	–	83,517	–	83,517	–	83,517
Derivative financial instruments	–	–	–	–	1,294	1,294
Deferred tax liabilities	(14,867)	1,291	–	(13,576)	–	(13,576)
Total	483,593	(34,247)	–	449,346	1,294	450,640
Asset revaluation reserve	33,202	(22,511)	–	10,691	–	10,691
Retained profits	99,549	(5,505)	(4,020)	90,024	2,147	92,171
Share option reserve	–	–	4,020	4,020	–	4,020
Minority interests	105,644	(6,231)	–	99,413	(853)	98,560
Total	238,395	(34,247)	–	204,148	1,294	205,442

4. SEGMENT INFORMATION

The Group reports its primary segment information based on product categories. Turnover and profit before taxation for the six months ended 31 December 2005 and 30 September 2004, analysed by product category, are as follows:

	For the six months ended 31 December 2005 Turnover				For the six months ended 30 September 2004 Turnover			
	External sales	Inter-segment sales	Total	Profit (loss) before taxation	External sales	Inter-segment sales	Total	Profit (loss) before taxation
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cables and wires	315,568	7,700	323,268	(11,476)	354,639	6,698	361,337	13,473
Copper products	582,647	95,114	677,761	35,228	381,566	101,167	482,733	19,551
Connectors and terminals	70,278	414	70,692	5,763	64,394	281	64,675	6,306
Life like plants	69,722	–	69,722	120	19,658	–	19,658	2,374
Television programmes production, distribution and licensing	1,048	–	1,048	617	1,205	–	1,205	(1,040)
Other	10,036	–	10,036	(480)	6,263	–	6,263	(2,213)
	1,049,299	103,228	1,152,527	29,772	827,725	108,146	935,871	38,451
Elimination	–	(103,228)	(103,228)		–	(108,146)	(108,146)	
	1,049,299	–	1,049,299		827,725	–	827,725	
Unallocated corporate income				6,901				2,622
Unallocated corporate expenses				(6,557)				(1,299)
Finance costs				(15,970)				(10,711)
Gain on deemed disposal of a subsidiary				19,576				–
Profit before taxation				33,722				29,063

The Group's turnover for the six months ended 31 December 2005 and 30 September 2004, analysed by geographical market, is as follows:

	For the six months ended 31 December 2005 Turnover			For the six months ended 30 September 2004 Turnover		
	External sales	Inter-segment sales	Total	External sales	Inter-segment sales	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mainland China	765,570	95,528	861,098	566,062	101,448	667,510
North America	137,586	–	137,586	118,585	–	118,585
Europe	34,122	–	34,122	17,048	–	17,048
Hong Kong	37,432	–	37,432	41,426	–	41,426
Other Asian regions	74,589	7,700	82,289	84,604	6,698	91,302
	1,049,299	103,228	1,152,527	827,725	108,146	935,871
Elimination	–	(103,228)	(103,228)	–	(108,146)	(108,146)
	1,049,299	–	1,049,299	827,725	–	827,725

5. PROFIT BEFORE TAXATION

	For the six months ended 31 December 2005 HK$'000	For the six months ended 30 September 2004 HK$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	17,375	17,346
Charge of prepaid lease payment for land	1,005	863
Amortisation of goodwill included in general and administrative expenses	–	125

6. TAXATION

	For the six months ended 31 December 2005 HK$'000	For the six months ended 30 September 2004 HK$'000
Hong Kong Profits Tax	330	3,000
Taxation in other jurisdictions	486	2,990
Deferred tax	1,325	730
	2,141	6,720

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the period.

Taxation in other jurisdictions, including Mainland China and overseas, is calculated at the rates applicable in the respective jurisdictions.

7. DIVIDEND

No dividend was paid during the six months ended 31 December 2005 (Six months ended 30 September 2004: Nil). The directors do not recommend the payment of any interim dividend.

8. EARNINGS PER SHARE

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

	For the six months ended 31 December 2005 HK$'000	For the six months ended 30 September 2004 HK$'000
Profit for the period attributable to equity holders of the parent	22,509	20,269
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	392,364,362	301,007,149

As there was no potential ordinary shares outstanding in the prior period, no diluted earnings per share was presented for prior period.

The effect of share options was excluded from the calculation of diluted earnings per share in the current period because the exercise price of the Company's share option was higher than the average market price of ordinary shares for the current period.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2005, the Group spent HK$101,079,000 on acquisition of property, plant and equipment.

The net book value of property, plant and equipment of the Group as at 31 December 2005 includes an amount of HK$4,774,000 in respect of assets held under finance leases.

At 31 December 2005, the directors considered the carrying amount of the Group's buildings carried at revalued amounts and estimated that the carrying amounts did not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit was recognised in the current period.

10. NOTES RECEIVABLE

The notes are secured by assets owned by the note issuer, carry interest at commercial rates and are wholly repayable in 2007.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

At 31 December 2005, included in the balance are trade debtors of HK$310,057,000 (30 June 2005: HK$282,918,000). The Group allows a credit period of 30 days to 90 days to its trade customers.

The aged analysis of trade debtors is as follows:

	31 December 2005	**30 June 2005**
	HK$'000	*HK$'000*
Within 30 days	138,867	164,035
31 – 60 days	91,048	63,875
61 – 90 days	52,939	32,444
Over 90 days	27,203	22,564
	310,057	282,918

The directors consider the trade debtors approximate their fair values.

12. BILLS RECEIVABLE

The bills receivable as at 31 December 2005 and 30 June 2005 are aged within 180 days.

The directors consider the bills receivable approximate their fair values.

13. CREDITORS AND ACCRUED CHARGES

At 31 December 2005, included in the balance are trade creditors of HK$75,890,000 (30 June 2005: HK$95,752,000).

The aged analysis of trade creditors is as follows:

	31 December 2005	**30 June 2005**
	HK$'000	*HK$'000*
Within 30 days	52,473	51,338
31 – 60 days	16,062	27,522
61 – 90 days	5,092	14,665
Over 90 days	2,263	2,227
	75,890	95,752

14. BILLS PAYABLE

The aged analysis of bills payable as at 31 December 2005 and 30 June 2005 are within 90 days.

The directors consider the bills payable approximate the fair values.

15. BORROWINGS

During the six months ended 31 December 2005, the Group raised new borrowings of HK$824,899,000 to provide for additional working capital and made repayment of HK$699,613,000.

16. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into future contracts, foreign exchange forward contracts and interest rates swaps contracts to manage the price risk of raw materials, interest rate risk and foreign exchange risk.

The fair value losses of the derivative financial instruments at 31 December 2005 as provided by the banks are HK$3,525,000 (1.7.2005: asset of HK$1,294,000). All of these derivative financial instruments are not qualified for hedge accounting. The change in fair value of HK$4,819,000 has been charged to income statement.

17. SHARE CAPITAL

	Authorised	
	31 December 2005	**30 June 2005**
	HK$'000	*HK$'000*
Ordinary shares of HK$0.01 each	300,000	300,000

	Issued and fully paid	
	31 December 2005	**30 June 2005**
	HK$'000	*HK$'000*
Ordinary shares of HK$0.01 each	3,924	3,924

18. SHARE OPTIONS

The Company has a share option scheme for eligible employees and third parties of the Group. The numbers of outstanding share options at the beginning and end of the period are 18,950,000.

As mentioned in note 2, the Group has, for the first time, applied HKFRS 2 "Share-based Payment" to account for its share options. In accordance with HKFRS 2, the fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's share option reserve. This change has no material effect on the results for the current period.

The closing price of the Company's shares immediately before 26 May 2005, the date of grant of the 2005 options, was HK$0.36.

19. DEEMED DISPOSAL OF A SUBSIDIARY

During the period, a subsidiary of the Company, Skywalk Assets Management Limited ("Skywalk") entered into agreements to place and subscribe for new shares in the listed subsidiary, Hua Yi Copper Holdings Limited ("Hua Yi Copper"). Pursuant to the agreements, Skywalk has agreed to place 111,000,000 ordinary shares of HK$0.2 each in Hua Yi Copper at a price of HK$0.88 per share and to subscribe for 111,000,000 new ordinary shares of Hua Yi Copper at a price of HK$0.88 per share. Accordingly, the Group's interest in Hua Yi Copper has been diluted from 71.49% to 59.59%, resulting in a gain on deemed disposal of HK$19,576,000.

(A) ACCOUNTANT'S REPORT

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Morison Heng, Chartered Accountants, Certified Public Accountants, Hong Kong. As described in the section headed "Documents available for inspection" in Appendix IV, a copy of the following report is available for inspection.

Morison Heng
Chartered Accountants
Certified Public Accountants

Morison Heng
17/F., One Hysan Avenue,
Causeway Bay, Hong Kong

26 June 2006

The Directors
Solartech International Holdings Limited
Unit 7, 2/F., Kingsford Industrial Centre
13 Wang Hoi Road
Kowloon Bay
Hong Kong

Dear Sirs,

We set out below our report on the financial information relating to Brascabos Componentes Elétricos e Eletrônicos Ltda (the "Brascabos") and its subsidiary (hereinafter collectively referred to as the ("Brascabos Group") for each of the three years ended 31 December 2003, 2004 and 2005 (the "Relevant Periods") for inclusion in the circular of Solartech International Holdings Limited ("the Company") dated 26 June 2006 in connection with the proposed acquisition of 100% equity interests in the Brascabos Componentes Elétricos e Eletrônicos Ltda.

Brascabos Componentes Elétricos e Eletrônicos Ltda is a limited liability company incorporated on 5 June 1992 in the Brazil with a registered share capital of R$3,335,000. Brascabos's principally engaged in the production of cable products and automotive harness.

At the date of this report, Brascabos has the following subsidiary:

Name of subsidiary	Place and date of establishment	Issued and fully paid share capital	Attributable equity interest	Principal activities
Brascabos Componentes Elétricos e Eletrônicos da Amazônia Ltda	Brazil 12 May 1995	R$1,060,020	Directly 99.995%	Manufacturing of electronics products

All companies now comprising the Brascabos Group have adopted 31 December as the financial year end date and their statutory financial statements were prepared in accordance with the Brazilian generally accepted accounting principles and were audited in accordance with auditing standards applicable in Brazil by the following auditors registered in the Brazil.

Name of companies	Financial year	Name of auditors
Brascabos Componentes Elétricos e Eletrônicos Ltda	Each of the three years ended 31 December 2005	Macso Legate Consultores Ltda
Brascabos Componentes Elétricos e Eletrônicos da Amazônia Ltda	Each of the three years ended 31 December 2005	Macso Legate Consultores Ltda

The financial information of the consolidated result, consolidated statement of changes in equity and consolidated cash flows of the Bascabos Group for the Relevant Periods and the consolidated balance sheets of the Bascabos Group and the balance sheets of Bascabos as at 31 December 2003, 2004 and 2005 together with the notes thereto (the "Financial Information") set out in this report have been prepared based on the audited financial statements of the companies comprising the Bascabos Group, after making such adjustments as are appropriate to comply with the Hong Kong Financial Reporting Standards ("HKFRS"), and are presented on the basis set out in Section 1 below.

For the purpose of this report, we have carried out additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

Management of Brascabos is responsible for the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. The directors of the Company are responsible for the contents of the Circular in which the report is included. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion.

We planned our work so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial information is free from material misstatement. However, the evidence available to us was limited because we have been appointed as reporting accountants of the Company on 18 May 2006, and hence did not attend the stocktaking at 31 December 2003, 2004 and 2005. There were no practicable and satisfactory alternative audit procedures that we could apply to confirm the quantities and condition of the stocks. Accordingly, we were unable to satisfy ourselves as the qualities and value of stocks valued at R$8,791,000, R$14,262,000, R$9,475,000 at 31 December 2003, 2004 and 2005 respectively.

In our opinion, except for any possible adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the matters described in the preceding paragraph, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Brascabos as at 31 December 2003, 2004 and 2005 and the consolidated results and cash flows of Brascabos Group for the Relevant Periods.

I. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

		Year ended 31 December		
		2003	**2004**	**2005**
	Notes	*R$'000*	*R$'000*	*R$'000*
TURNOVER	*4*	88,256	119,648	121,457
Cost of sales		(80,424)	(111,474)	(114,477)
Gross profit		7,832	8,174	6,980
Other revenue	*4*	1,522	1,974	1,753
Selling expenses		(1,865)	(1,771)	(2,307)
Other operating expenses (net)		(6,614)	(5,546)	(9,091)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	*5*	875	2,831	(2,665)
Finance cost	*6*	–	–	–
PROFIT/ (LOSS) BEFORE TAX		875	2,831	(2,665)
Taxation	*8*	(254)	(916)	1,057
PROFIT/ (LOSS) FOR THE YEAR		621	1,915	(1,608)
ATTRIBUTABLE TO:				
Equity holders of the parent		621	1,915	(1,608)
Minority Interests		–	–	–
		621	1,915	(1,608)

CONSOLIDATED BALANCE SHEETS

		At 31 December		
		2003	2004	2005
	Notes	*R$'000*	*R$'000*	*R$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*10*	6,862	12,408	12,404
Available for sale financial assets	*11*	–	–	173
Deferred taxation	*18*	829	592	1,751
		7,691	13,000	14,328
CURRENT ASSETS				
Inventories	*13*	8,791	14,262	9,475
Trade receivables	*14*	3,137	3,028	4,017
Other receivables, deposits and prepayments		1,792	1,424	1,036
Amounts due from fellow subsidiaries	*15*	1,729	1,626	1,499
Cash and bank balances		186	47	797
		15,635	20,387	16,824
CURRENT LIABILITIES				
Trade payables	*16*	4,628	4,554	3,725
Other payables and accruals		3,498	5,190	5,874
Tax payables		1,387	–	–
Amount due to a shareholder	*17*	440	9,266	6,775
Provisions	*19*	1,248	334	2,858
		11,201	19,344	19,232
NET CURRENT ASSETS/(LIABILITIES)		4,434	1,043	(2,408)
NET ASSETS		12,125	14,043	11,920
CAPITAL AND RESERVES				
Capital	*20*	3,335	3,335	3,335
Reserves		2,043	2,134	1,618
Retained profits		6,747	8,571	6,963
Shareholders' funds		12,125	14,040	11,916
Minority interests		–	3	4
		12,125	14,043	11,920

BALANCE SHEET

		At 31 December		
		2003	2004	2005
	Notes	*R$'000*	*R$'000*	*R$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*10*	5,324	10,897	11,032
Available for sale financial assets	*11*	–	–	173
Deferred taxation	*18*	829	592	1,751
Interest in a subsidiary	*12*	1,060	1,060	1,060
		7,213	12,549	14,016
CURRENT ASSETS				
Inventories	*13*	6,599	11,720	7,675
Trade receivables	*14*	1,616	2,518	3,072
Other receivables, deposits and prepayments		1,320	1,015	889
Amounts due from fellow subsidiaries	*15*	1,591	1,483	1,373
Amount due from a subsidiary	*15*	4,221	3,303	2,978
Cash and bank balances		31	38	234
		15,378	20,077	16,221
CURRENT LIABILITIES				
Trade payables	*16*	3,245	4,277	3,534
Tax payables		1,387	–	–
Other payables and accruals		3,086	4,350	4,834
Amount due to a shareholder	*17*	440	9,267	7,390
Provisions	*19*	1,248	334	2,858
		9,406	18,228	18,616
NET CURRENT ASSETS/(LIABILITIES)		5,972	1,849	(2,395)
NET ASSETS		13,185	14,398	11,621
CAPITAL AND RESERVES				
Capital	*20*	3,335	3,335	3,335
Reserves		2,043	2,134	1,618
Retained profits		7,807	8,929	6,668
		13,185	14,398	11,621

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Registered capital	Statutory reserves	Retained profits	Total
	R$'000	*R$'000*	*R$'000*	*R$'000*
At 1 January 2003	3,335	2,043	6,126	11,504
Profit for the year	–	–	621	621
At 31 December 2003	3,335	2,043	6,747	12,125
At 1 January 2004	3,335	2,043	6,747	12,125
Profit for the year	–	–	1,915	1,915
Transfer to/(from) reserves	–	91	(91)	–
At 31 December 2004	3,335	2,134	8,571	14,040
At 1 January 2005	3,335	2,134	8,571	14,040
(Loss) for the year	–	–	(1,608)	(1,608)
Reversal	–	(516)	–	(516)
At 31 December 2005	3,335	1,618	6,963	11,916

CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31 December		
	2003	**2004**	**2005**
	R$'000	*R$'000*	*R$'000*
Cash flows from operating activities			
Profit/(Loss) before taxation	875	2,831	(2,665)
Adjustment for:			
Depreciation	1,433	1,549	1,822
Gain on disposal of property, plant and equipment	(49)	–	–
Interest income	(951)	(701)	(1,252)
Operating profit/(loss) before working capital changes	1,308	3,679	(2,095)
(Increase)/decrease in inventories	(2,698)	(5,471)	4,787
(Increase)/decrease in other receivables, deposits and prepayments and amount due from related companies	(1,010)	471	515
Decrease/(increase) in trade receivable	139	(109)	989
Increase/(decrease) in trade payable	(870)	74	(829)
Increase in other payables and accrued charges and amounts due to related parties and shareholder	4,086	6,381	202
Cash generated from operations	955	5,025	3,569
Interest income	951	701	1,252
Net cash from operating activities	1,906	5,726	4,821
Investing activities			
Purchase of property, plant and equipment	(1,951)	(6,066)	(3,935)
Proceeds on sale of property, plant and equipment	91	201	37
Additional investment in available for sale financial assets	–	–	(173)
Net cash used in investing activities	(1,860)	(5,865)	(4,071)
Net increase/(decrease) in cash and cash equivalents	46	(139)	750
Cash and cash equivalents at beginning of the year	140	186	47
Cash and cash equivalents at end of the year	186	47	797
Analysis of balance of cash and cash equivalents			
Bank balances and cash	186	47	797

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Financial Information are prepared based on the audited financial statements of the companies comprising the Brascabos Group, after making such adjustments as are appropriate to comply with the Hong Kong Financial Reporting Standards ("HKFRS").

All material intra-group transactions and balances, income and expenses are eliminated on consolidation.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the year ended 31 December 2005, the Brascabos Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1 January 2005.

Impact of issued but not yet effective HKFRSs

The Brascabos Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual period beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 6	Explorations for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of embedded derivative

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information have been prepared under the historical cost convention. The Financial Information has been prepared in accordance with the following policies which conform with the accounting principles generally accepted in Hong Kong.

Basis of consolidation

The consolidated financial statements incorporate the financial statement of the Brascabos and its subsidiary made up to 31 December each year. The results of the subsidiaries acquired and disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany transactions, balances and unrealized gains on transaction between group enterprises are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Minority interest at the balance sheet date, being the portion of the net assets of subsidiary attributable to equity interests that are not owned by the company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the company. Minority interest in the results of the Brascabos Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the company.

Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Brascabos Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the Brascabos Group's interest until the minority's share of losses previously absorbed by the Group has been recovered.

Business combination

The acquisition of subsidiary is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Brascabos 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 assumed in a business combination are recognised at their values at the acquisition date.

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

Goodwill

Goodwill represents the excess of the cost of acquisition over the Brascabos Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or an associate recognised 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. Goodwill on acquisitions of associates is included in investments in associates.

For the purpose of impairment testing, goodwill is allocated to each of the Brascabos 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, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Subsidiaries

A subsidiary is an enterprise in which the Brascabos Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

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

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhead costs, is charged to income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are discounted to their present values.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life after taking into account its estimated residual value. The estimated useful lives of fixed assets are as follows:

Leasehold improvement	25 years
Furniture and fixtures	10 years
Plant and machinery	10 years
Moulds, tools and dies	3 years
Others	5-20 years

Impairment of assets excluding goodwill

At each balance sheet date, the Brascabos Group reviews the carrying amounts of its tangible and intangible 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 Brascabos Group estimates the recoverable amount of an individual asset, the Brascabos Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

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 and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year the write down or losses occur. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

Financial instruments

Financial assets and financial liabilities are recognised on the Brascabos Group's balance sheet when the Brascabos Group becomes a party to the contractual provisions of the instrument.

(i) *Trade and other receivables*

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate provision for impairment for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The provision recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) *Investments*

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction cost. At subsequent reporting dates, debts securities that the Brascabos Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit and loss account when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit and loss account for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

(iii) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In preparing cash flow statement, cash and cash equivalents include bank loans which require immediate repayment on demand.

(iv) *Trade and other payables*

Trade and other payables are initially measure at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(vi) *Equity instruments*

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss account 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. The Brascabos Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, 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. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Brascabos 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.

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

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

Provisions and contingencies

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Translation of foreign currencies

The individual financial statements of each Brascabos Group entity are presented in the currency of the primary economic environment in which the entity operates (its "functional currency"). The consolidated financial statements are expressed in Reais ("R$"), which is the functional currency of the Brascabos and each Brascabos Group entity, and the presentation currency for the consolidated statements.

In preparing the financial statements of the individual entities, foreign currency transactions are translated into R$ 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. Nonmonetary 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 included in profit and loss account for the period.

Retirement benefit scheme
The Brascabos Group contributes to pension funds based on the standard fixed rates payments to retirement benefits scheme are charged to the profit and loss account.

Operating leases
Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the relevant lease.

Recognition of income
Revenue is recognized when it is probable that the economic benefits will flow to the Brascabos Group and when the revenue can be measured reliably, on the following bases:

(a) Sales are recognized when the significant risks and rewards of ownership have been transferred to the buyer;

(b) Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable;

Related parties

Parties are considered to be related to the Brascabos Group if the Brascabos Group 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, or vice versa, or where the Brascabos Group and the other party 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 Brascabos Group where those parties are individuals, and postemployment benefit plans which are for the benefit of employees of the Brascabos Group or of any entity that is a related party of the Brascabos Group.

Critical accounting and other key sources of estimation uncertainty Judgements

In the process of applying the Brascabos Group's accounting policies, management has made the judgements in relation to impairment of assets apart from those involving estimation as discussed below, which have the most significant effect on the amounts recognised in the financial statements.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Brascabos Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may effect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or rerecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year in respect of impairment test of assets.

The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

4. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, but excludes intra-group transactions.

An analysis of the Brascabos Group turnover and revenue is as follows: –

	Year ended 31 December		
	2003	**2004**	**2005**
	R$'000	*R$'000*	*R$'000*
Turnover	88,256	119,648	121,457
Other revenue			
Sale of scrap	454	600	473
Interest income	951	701	1,252
Others	117	673	28
Total	1,522	1,974	1,753

5. PROFIT (LOSS) FROM OPERATING ACTIVITIES

The Brascabos's profit (loss) from operating activities is arrived at after charging and crediting the following:

	Year ended 31 December		
	2003	**2004**	**2005**
	R$'000	*R$'000*	*R$'000*
Charging:			
Cost of inventories	80,424	111,474	114,477
Depreciation of property, plant and equipment	1,433	1,549	1,822
Provision for doubtful debts	147	–	48
Provision for inventories	–	–	907
Staff costs (including directors' remuneration):			
Wages, salaries and staff welfare	14,738	22,415	26,101
Pension scheme contributions	137	204	222
Crediting:			
Gain on disposal of property, plant and equipment	–	–	49
Provision for doubtful debts reverse	–	54	–

6. FINANCE COST

	Year ended 31 December		
	2003	**2004**	**2005**
	R$'000	*R$'000*	*R$'000*
Interest on borrowings wholly repayable:			
Within one years	–	–	–
Within 2nd to 5th years	–	–	–
Over 5 years	–	–	–
	–	–	–

7. DIRECTORS' AND EMPLOYEE EMOLUMENTS

Directors' emoluments

	Year ended 31 December		
	2003	**2004**	**2005**
	R$'000	*R$'000*	*R$'000*
Fees	–	–	–
Salaries and other benefits	–	–	699
Contribution to retirement benefits scheme	–	–	–
	–	–	699

Five highest paid employees

Of the five individuals with the highest emoluments in the Group, one was director the Company, during the Relevant Periods.

The emoluments of the remaining four individuals were as follows:–

	Year ended 31 December		
	2003	2004	2005
	R$'000	*R$'000*	*R$'000*
Salaries, allowances and benefits in kind	724	756	1,499
Contributions to retirement benefits scheme	40	84	79
	764	840	1,578

The remuneration of each of the highest paid employees for each of the Relevant Periods fell within the nil to R$1,000,000 band.

8. TAXATION

	Year ended 31 December		
	2003	2004	2005
	R$'000	*R$'000*	*R$'000*
Current – Brazil	824	623	–
Deferred taxation	(570)	293	(1,057)
Total tax charges for the year	254	916	(1,057)

Hong Kong profits tax has not been provided as the Brascabos had no assessable profits arising in Hong Kong during the Relevant Periods.

The Brazil income tax is computed according to the relevant laws and regulations in the Brazil. The applicable income tax rate was 34% throughout the Relevant Periods. Reconciliation between tax expenses and accounting profit at applicable tax rate:

	Year ended 31 December		
	2003	2004	2005
	R$'000	*R$'000*	*R$'000*
Profit/(loss) before tax	875	2,831	(2,665)
Tax at the statutory tax rate of 34%	298	963	(906)
Temporary differences	(44)	(47)	(151)
Total taxation	254	916	(1,057)

Deferred tax assets are recognized to the extent that realization of the related tax benefit through the future taxable profits is probable.

9. EARNINGS PER SHARE

No basic or diluted earnings per share are disclosed as its inclusion, for the purpose of this report, is considered not meaningful.

10. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvement	Plant and machinery	Moulds, tools and dies	Furnitures and fixtures	Others	Total
	R$000	*R$000*	*R$000*	*R$000*	*R$000*	*R$000*
Cost:						
At 1 January 2003	1,347	8,644	1,464	1,999	1,439	14,893
Additions	1	1,431	326	193	19	1,970
Disposal/written off	–	–	–	–	(281)	(281)
At 31 December 2003 and 1 January 2004	1,348	10,075	1,790	2,192	1,177	16,582
Additions	–	3,213	369	449	3,225	7,256
Disposal/written off	–	(1,187)	–	–	–	(1,187)
At 31 December 2004 and 1 January 2005	1,348	12,101	2,159	2,641	4,402	22,651
Additions	1,715	1,086	394	302	–	3,497
Disposal/written off	–	–	–	–	(3,080)	(3,080)
At 31 December 2005	3,063	13,187	2,553	2,943	1,322	23,068
Accumulated depreciation:						
At 1 January 2003	975	4,149	1,110	1,351	702	8,287
Provided during the year	124	800	214	207	88	1,433
Disposal/write-back	–	–	–	–	–	–
At 31 December 2003 and 1 January 2004	1,099	4,949	1,324	1,558	790	9,720
Provided during the year	95	962	286	161	45	1,549
Disposal/write-back	–	(1,026)	–	–	–	(1,026)
At 31 December 2004 and 1 January 2005	1,194	4,885	1,610	1,719	835	10,243
Provided during the year	176	1,058	357	231	–	1,822
Disposal/write-back	(1,198)	–	–	–	(203)	(1,401)
At 31 December 2005	172	5,943	1,967	1,950	632	10,664
Net book value:						
At 31 December 2005	2,891	7,244	586	993	690	12,404
At 31 December 2004	154	7,216	549	922	3,567	12,408
At 31 December 2003	249	5,126	466	634	387	6,862

Company

	Leasehold improvement	Plant and machinery	Moulds, tools and dies	Furnitures and fixtures	Others	Total
	R$000	*R$000*	*R$000*	*R$000*	*R$000*	*R$000*
Cost:						
At 1 January 2003	1,347	7,555	1,381	1,908	1,248	13,439
Additions	–	979	289	180	–	1,448
Disposal	–	–	–	–	(281)	(281)
At 31 December 2003 and 1 January 2004	1,347	8,534	1,670	2,088	967	14,606
Additions	–	3,058	369	440	3,204	7,071
Disposal	–	(1,187)	–	–	–	(1,187)
At 31 December 2004 and 1 January 2005	1,347	10,405	2,039	2,528	4,171	20,490
Additions	1,713	1,025	393	293	–	3,424
Disposal	–	–	–	–	(3,063)	(3,063)
At 31 December 2005	3,060	11,430	2,432	2,821	1,108	20,851
Accumulated depreciation:						
At 1 January 2003	975	3,992	1,099	1,328	649	8,043
Provided during the year	124	651	203	198	63	1,239
Disposal/write-back	–	–	–	–	–	–
At 31 December 2003 and 1 January 2004	1,099	4,643	1,302	1,526	712	9,282
Provided during the year	95	802	271	150	19	1,337
Disposal/write-back	–	(1,026)	–	–	–	(1,026)
At 31 December 2004 and 1 January 2005	1,194	4,419	1,573	1,676	731	9,593
Provided during the year	176	887	345	219	–	1,627
Disposal/write-back	(1,198)	–	–	–	(203)	(1,401)
At 31 December 2005	172	5,306	1,918	1,895	528	9,819
Net book value:						
At 31 December 2005	2,888	6,124	514	926	580	11,032
At 31 December 2004	153	5,986	466	852	3,440	10,897
At 31 December 2003	248	3,891	368	562	255	5,324

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	At 31 December		
	2003	**2004**	**2005**
	R$'000	*R$'000*	*R$'000*
Unlisted equity investments, at cost	–	–	173

Company

	At 31 December		
	2003	**2004**	**2005**
	R$'000	*R$'000*	*R$'000*
Unlisted equity investments, at cost	–	–	173

Certain unlisted equity investments of the Group are not stated at fair value but at cost less any impairment losses, because they do not have a quote market price in an active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

12. INTEREST IN A SUBSIDIARY

	At 31 December		
	2003	**2004**	**2005**
	R$'000	*R$'000*	*R$'000*
Unlisted shares, at cost	1,060	1,060	1,060

A particular of a subsidiary of is set out below:

Name of subsidiary	Place and date of incorporation/ Establishment	Issued and fully paid capital	Attributable equity interest of Brascabos	Principal activities
Brascabos Componentes Elétricos e Eletrônicos da Amazônia Ltda	Brazil 12 May 1995	R$1,060,020	99.995%	Manufacturing electronics products

13. INVENTORIES

Group

	At 31 December		
	2003	**2004**	**2005**
	R$'000	*R$'000*	*R$'000*
Raw materials	6,745	10,189	7,156
Work in progress	1,214	2,989	1,775
Finished goods	832	1,084	1,451
Less: Provisions	–	–	(907)
	8,791	14,262	9,475

Company

	At 31 December		
	2003	**2004**	**2005**
	R$'000	*R$'000*	*R$'000*
Raw materials	4,766	7,818	5,301
Work in progress	1,104	2,946	1,774
Finished goods	729	956	1,332
Less: Provisions	–	–	(732)
	6,599	11,720	7,675

14. TRADE RECEIVABLES

Group

The Group allows a credit period of 60 days to its trade customers.

The following is an aged analysis of trade receivables:

	At 31 December		
	2003	**2004**	**2005**
	R$'000	*R$'000*	*R$'000*
Within 1 year	3,178	3,016	4,074
1 to 2 years	106	105	84
Provision	(147)	(93)	(141)
Total	3,137	3,028	4,017

The aging analysis of trade receivables is as follows:

Company

	At 31 December		
	2003	**2004**	**2005**
	R$'000	*R$'000*	*R$'000*
Within 1 year	1,618	2,506	3,129
1 to 2 years	106	105	84
Provision	(108)	(93)	(141)
Total	1,616	2,518	3,072

15. AMOUNTS DUE FROM FELLOW SUBSIDIARIES AND SUBSIDIARY

The amounts due from fellow subsidiaries and subsidiary are unsecured and interest free and have no fixed terms of repayment.

16. TRADE PAYABLES

The following is an aged analysis of trade payables:

Group

	At 31 December		
	2003	**2004**	**2005**
	R$'000	*R$'000*	*R$'000*
Within 1 year	4,623	4,554	3,704
1 to 2 years	5	–	21
Total	4,628	4,554	3,725

Company

	At 31 December		
	2003	**2004**	**2005**
	R$'000	*R$'000*	*R$'000*
Within 1 year	3,245	4,277	3,513
1 to 2 years	–	–	21
Total	3,245	4,277	3,534

17. AMOUNT DUE TO A SHAREHOLDER

The amount due to the shareholder is unsecured, interest free and have no fixed terms of repayment.

18. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 34%.

	At 31 December		
	2003	**2004**	**2005**
	R$'000	*R$'000*	*R$'000*
Deferred tax assets arising from provisions	829	592	1,751

Deferred tax assets are recognized to the extent that realization of the related tax benefit through the future taxable profits is probable.

19. PROVISIONS

Group

	Civil litigation R$000	Tax proceedings R$000	Total R$000
Balance at January 1, 2003	–	–	–
Additions	273	975	1,248
Balance at December 31, 2003	273	975	1,248
Balance at January 1, 2004	273	975	1,248
Reversal	–	(914)	(914)
Balance at December 31, 2004	273	61	334
Balance at January 1, 2005	273	61	334
Additions	1,148	1,376	2,524
Balance at December 31, 2005	1,421	1,437	2,858

20. CAPITAL

Name of shareholder	2003 R$000	2004 R$000	2005 R$000
Whirlpool S.A.	3,334	3,334	3,334
Brasmotor S.A.	1	1	1
	3,335	3,335	3,335

21. FINANCIAL RISKS AND MANAGEMENT

Credit risk

The principal financial assets are trade and other receivables and bank balances and cash, which represent the maximum exposure to credit risk in relation to financial assets.

The credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of accumulated impairment, if any, estimated by the Brascabos's management based on prior experience and their assessment of the current economic environment. The Brascabos has significant concentration of credit risk on trade receivables, as the major customer is the companies in the Whirlpool Group. The Brascabos' management considers that credit risk on sales to the companies in the Whirlpool group is limited because of the creditworthy of the Whirlpool Group.

The credit risk on liquid funds is limited because majority of the counterparties are banks with creditworthy financial institutions.

Liquidity risk

The Brascabos Group is exposed to minimal liquidity risk as the Group closely monitors its cash flow position.

Foreign currency risk

The Brascabos Group has foreign currency sales and purchases and certain assets and liabilities are denominated in foreign currencies which expose the Brascabos Group to foreign currency risk.

The Brascabos Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Interest rate risk

The Brascabos Group obtained financing by the shareholder without interest charges.

22. RELATED PARTY TRANSACTIONS

The following material related party transactions in the normal course of business during the Relevant Period:

Name of related party	Nature of transaction	2003	2004	2005
		R$000	*R$000*	*R$000*
Shareholder				
Whirlpool S.A.	Sales	55,041	67,444	64,319
Fellow subsidiaries				
Embraco	Sales	8,594	12,051	11,013
Brastemp da Amazônia S.A.	Sales	–	–	14

23. COMMITMENTS

As at 31 December 2003, 2004 and 2005, there were no material commitments for Brascabos Group.

24. CONTINGENT LIABILITIES

As at 31 December 2005, the Company was involved in legal proceedings relating to labour disputes and with the local tax authority relating to turnover tax. The outcome of these legal proceedings remains uncertain. However, the Company has made a provision of R$2,858,000 against these claims, the details of which are shown in note 19 to the financial statements.

Except for the above, there were no material contingent liabilities for the Brascabos Group as at 31 December 2003, 2004 and 2005.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any companies in the Brascabos Group in respect of any period subsequent to 31 December 2005.

Yours faithfully,
Morison Heng
Chartered Accountants
Certified Public Accountants
Hong Kong

(B) MANAGEMENT DISCUSSION AND ANALYSIS

I Business Review

1. Year ended 31 December 2005

(a) Turnover

For the year ended 31 December 2005, the Brascabos Group attained a turnover of approximately R$121,457,000 (2004: R$119,648,000). This represented a marginal improvement over the financial year ended 31 December 2004.

(b) Gross Profit Margin

For the year ended 31 December 2005, the Brascabos Group's gross profit was R$6,980,000 (2004: R$8,174,000). This translates to a decrease in profit margin from 6.83% in 2004 to 5.75% in 2005.

(c) Selling and other Operating Expenses

Although the turnover only increased by approximately 1.51% in 2005, the selling and other operating expenses of the Brascabos Group increased to approximately R$11,398,000 (2004: R$7,317,000). This 55.77% increase was a significant factor in the loss for the year ended 31 December 2005 and included, among others, provisions for inventory of approximately R$907,000 and provisions for certain labour and tax disputes of approximately R$2,524,000. If these provisions were excluded from the profit and loss statement, the Brascabos Group would have been profitable for the year ended 31 December 2005.

(d) Loss for the year

The Brascabos Group had a loss of approximately R$1,608,000 for the year ended 31 December 2005 (2004: Profit was approximately R$1,915,000). The loss of approximately R$1,608,000 took into account a deferred tax credit of approximately R$1,057,000 (2004: Taxation was R$916,000).

(e) Financial Position Review

The Brascabos Group had cash and bank balances of approximately R$797,000 as at 31 December 2005. It had no bank debt as at 31 December 2005 but had a loan due to its then shareholder in an amount of approximately R$6,775,000.

The current ratio was 0.88. The gearing ratio was nil as at 31 December 2005 as the Group did not have any bank or other borrowing.

The Brascabos Group did not have any contingent liability. It has made provisions of approximately R$2,858,000 as at 31 December 2005 in respect of certain tax and labour disputes.

(f) *Staff Costs*

The total staff costs (including directors' remuneration) for the year ended 31 December 2005 comprise of wages, salaries and staff welfare of R$26,101,000 and pension scheme contributions of R$222,000.

2. Year ended 31 December 2004

(a) *Turnover*

For the year ended 31 December 2004, the Brascabos Group recorded turnover of approximately R$119,648,000 (2003: R$88,256,000). This represented approximately 35.57% increase over the financial year ended 31 December 2003.

(b) *Gross Profit Margin*

The gross profit of approximately R$8,174,000 (2003: R$7,832,000) achieved for the year ended 31 December 2004 registered a 6.83% gross margin as compared to 8.87% for the year ended 31 December 2003.

(c) *Selling and other Operating Expenses*

Notwithstanding the improvement in turnover, the selling and other operating expenses showed a slight decrease to approximately R$7,317,000 (2003: R$8,479,000).

(d) *Profit for the year*

The profit before tax was approximately R$2,831,000 and taxation was R$916,000. The profit after tax was approximately R$1,915,000 (2003: R$621,000)

(e) *Financial Position Review*

The Brascabos Group had cash and bank balances of approximately R$47,000 as at 31 December 2004. It had no bank debt as at 31 December 2004 but had a loan due to its then shareholder in an amount of approximately R$9,266,000.

The current ratio was 1.05. The gearing ratio was nil as at 31 December 2004 as the Group did not have any bank or other borrowing.

There was no contingent liability as at 31 December 2004. The Brascabos Group had provisions of approximately R$334,000 (2003: approximately R$1,248,000). As compared with the year ended 31 December 2003, the provisions decreased as a result of a significant reversal of approximately R$1,248,000.

(f) Staff Costs

The total staff costs (including directors' remuneration) for the year ended 31 December 2004 comprise of wages, salaries and staff welfare of approximately R$22,415,000 and pension scheme contributions of approximately R$204,000.

3. Year ended 31 December 2003

(a) Turnover

For the year ended 31 December 2003, the Brascabos Group showed a turnover of approximately R$88,256,000.

(b) Gross Profit Margin

The gross profit of approximately R$7,832,000 for the year ended 31 December 2003 represented a 8.87% gross profit margin for the year ended 31 December 2003.

(c) Selling and other Operating Expenses

The selling and other operating expenses were approximately R$8,479,000.

(d) Profit for the year

The profit before tax was R$875,000 and taxation was approximately R$254,000. The profit after tax was approximately R$621,000;

(e) Financial Position Review

The Brascabos Group had cash and bank balances of approximately R$186,000 as at 31 December 2003. It had no bank debt as at 31 December 2003. The loan due to its then shareholder was approximately R$440,000.

The current ratio was 1.4. In the absence of any bank or other borrowing, the gearing ratio was nil as at 31 December 2003.

The Brascabos Group did not have any contingent liability, but there were provisions as at 31 December 2003 of approximately R$1,248,000 for certain tax and labour disputes.

(f) Staff Costs

The total staff costs (including directors' remuneration) for the year ended 31 December 2003 comprise of wages, salaries and staff welfare of approximately R$14,738,000 and pension scheme contributions of approximately R$137,000.

4. General

During the three financial years ended 31 December 2003, 31 December 2004 and 31 December 2005:

(a) The products manufactured by Brascabos include power cords and wire harness for the White Goods and automotive parts industry in Brazil. It also manufactures electronic controls and sensor devices, cooking and cooling applicances. Almost all of the sales of Brascabos were in Brazil;

(b) the Brascabos Group did not have any significant third party investments nor were there any material acquisitions or disposals of subsidiaries or associated companies; and

(c) the Brascabos Group has foreign currency sales and purchase and certain assets and liabilities are denominated in foreign currencies which expose the Brascabos Group to foreign currency risk. The Brascabos Group does not have a foreign hedging policy but the foreign exchange exposure has been closely monitored by its management.

II. Outlook

After Closing, the Brascabos Group will operate within the Group structure as an individual business unit. The United States arm of the Group will assist the Brascabos Group in various areas such as integration, expansion opportunities, market penetration and overall business growth planning so as to improve its capacity, capabilities and operational efficiency. Further, under the Supplier Sourcing Agreement, Whirlpool S.A. and Brastemp will purchase exclusively from Brascabos 100% of their requirements for certain materials used in their manufacture process and therefore Brascabos will have a solid customer base. Accordingly, the Group believes that the Acquisition will enable Shareholders to fully enjoy the benefits brought by the rapid growth of the South American market.

(A) UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The information set out in Appendix III is compiled in accordance with Rule 4.29 of the Listing Rules and is for information purposes only and does not form part of the unaudited interim financial statements of the Group as set out in section 7 of Appendix I and the accountants' reports of Brascabos and its subsidiary as set out in Appendix II of this circular.

The Enlarged Group will be formed after completion of the Acquisition, details of which are set out in the "Letter from the Board" in this circular and comprises the Group and the Brascabos Group.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group presented below do not purport to present what the financial information would actually have been if Brascabos had been held by the Company, or to project the financial information for any future period and are included for financial information purposes only. The unaudited pro forma statement of assets and liabilities 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 at any dates.

The unaudited pro forma statement of assets and liabilities should be read in conjunction with the historical financial information of the Group and other financial information included elsewhere in this circular.

Unaudited pro forma statement of assets and liabilities of the Enlarged Group

Set out below is the unaudited pro forma statement of assets and liabilities of the Enlarged Group at 31 December 2005. The unaudited pro forma statement of assets and liabilities has been prepared based on the unaudited interim financial statements of the Group for the six months ended 31 December 2005 as set out in section 7 of Appendix I to this circular and the accountants' report of Brascabos as set out in Appendix II to this circular and after making certain pro forma adjustments as set out below.

The unaudited pro forma statement of assets and liabilities has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by the Group as set out in Appendix I to this circular. The unaudited pro forma statement of assets and liabilities has been prepared on the assumption that the proposed acquisition of Brascabos had taken place at 31 December 2005.

The Hong Kong Institute of Certified Public Accountants has issued a number of new or revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") and Interpretations ("INT"), hereinafter collectively referred to as the "new HKFRSs"). However, the Group has not early applied any new HKFRSs that have been issued but not yet effective at 31 December 2005. The directors anticipate that the application of these standards, amendments and interpretations will have no material impact on the unaudited pro forma combined financial information of the Enlarged Group.

Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group

At 31 December 2005

	The Group as at 31 December 2005 (unaudited) *HK$'000*	Brascabos as at 31 December 2005 (audited) *HK$'000*	Combined (unaudited) *HK$'000*		Pro forma adjustments (unaudited) *HK$'000*	Enlarged Group pro forma (unaudited) *HK$'000*
Non-current assets						
Goodwill	–	–	–	*(b)*	38,507	38,507
Property, plant and equipment	469,054	41,553	510,607		–	510,607
Prepaid lease payments for land – non-current portion	87,029	–	87,029		–	87,029
Interest in subsidiaries	–	–	–	*(a)(i)*	50,375	–
				(a)(iv)	21,575	
				(b)	6,476	
				(b)	(78,426)	
Interests in associates	10,189	–	10,189		–	10,189
Interests in jointly controlled entities	5,153	–	5,153		–	5,153
Available-for-sale investments		580	580		–	580
Notes receivable	55,000	–	55,000		–	55,000
Deferred tax assets	20	5,866	5,886		–	5,886
	626,445	47,999	674,444			712,951
Current assets						
Inventories	288,198	31,741	319,939			319,939
Television programmes and sub-licensing rights	1,000	–	1,000			1,000
Debtors, deposits and prepayments	395,515	16,927	412,442			412,442
Bills receivable	99,733	–	99,733			99,733
Amounts due from related companies	–	5,022	5,022			5,022
Prepaid lease payments for land – current portion	2,143	–	2,143			2,143
Pledged deposits	28,112	–	28,112			28,112
Bank balances and cash	257,918	2,670	260,588	*(a)(i)*	(50,375)	203,737
				(b)	(6,476)	
	1,072,619	56,360	1,128,979			1,072,128
Current liabilities						
Creditors and accrued charges	152,100	32,157	184,257	*(a)(iv)*	21,575	205,832
Bills payable	58,966	–	58,966		–	58,966
Amount due to a shareholder	–	22,696	22,696		–	22,696
Taxation	6,973	–	6,973		–	6,973
Obligations under finance leases	1,426	–	1,426		–	1,426
Borrowings	492,631	–	492,631		–	492,631
Derivative financial instruments	3,525	–	3,525		–	3,525
Provisions	–	9,574	9,574		–	9,574
	715,621	64,427	780,048			801,623
Net current assets (liabilities)	356,998	(8,067)	348,931			270,505
Total assets less current liabilities	983,443	39,932	1,023,375			983,456

	The Group – year ended 31 December 2005 (unaudited) HK$'000	Brascabos – year ended 31 December 2005 (audited) HK$'000	Combined (unaudited) HK$'000	Pro forma adjustments (unaudited) HK$'000	Enlarged Group pro forma (unaudited) HK$'000
Non-current liabilities					
Obligations under finance leases	1,581	–	1,581	–	1,581
Deferred tax liabilities	14,901	–	14,901	–	14,901
	16,482	–	16,482		16,482
Net assets	966,961	39,932	1,006,893		966,974

Notes:

(a) Assuming that the Closing Date of the Acquisition is on 31 December 2005, pursuant to the Qutoa Purchase Agreement, details as set out on page 5 of the circular, the payment of consideration of HK$71,950,000 for the acquisition of equity interests of Brascabos by Solartech is on the following basis:

(i) part of the consideration amounting to HK$50,375,000 (US$6,500,000) will be satisfied by the Group by cash;

(ii) subject to (iii) below, the remaining balance of HK$27,125,000 (US$3,500,000) will be repaid in four equal installments of US$875,000 on each anniversary of the Closing date with the first anniversary being in 2007;

(iii) the payment of the remaining balance depends on the net asset value of Brascabos at the Closing Date, which is assumed to be 31 December 2005 for illustration purpose. The net asset value of Brascabos on 31 December 2005 is US$5,151,000, which is less than US$6,500,000. Based on the payment mechanism set out on page 5 of the circular, the first installment payable pursuant to (ii) above in 2007 will be correspondingly reduced to the extent of the shortfall i.e. US$1,349,000 (up to a maximum reduction of US$875,000). The remaining three installments will be increased by one-third of such shortfall i.e. US$291,667. Accordingly, the amounts of the four installments are as follows:

First installment: Nil
Second installment: US$1,166,667
Third installment: US$1,166,667
Forth installment: US$1,166,667

(iv) the fair value of the deferred consideration of HK$21,575,000 (US$2,784,000) was determined by discounting the amounts payable of HK$27,125,000 (US$3,500,000) pursuant to (iii) above to their present value at a discount rate of 8% per annum.

(b) In accordance with HKFRS 3 Business Combination issued by the Hong Kong Institute of Certified Public Accountants, goodwill of HK$38,507,000 is the excess of the cost of acquisition of Brascabos, being the difference of the consideration paid and the associated cost of approximately HK$6,476,000 incurred by the Group of HK$78,426,000 and the consolidated fair value of net assets of Brascabos of HK$39,919,000 as at 31 December 2005. It is assumed that the fair values of consolidated net assets of Brascabos acquired are the same as the carrying amount of consolidated net assets of Brascabos as at 31 December 2005.

The final amounts of the consideration, the goodwill and the fair values of consolidated net assets of Brascabos on the Closing Date may be different from those amounts as presented above.

(c) The consolidated balance sheet of Brascabos as at 31 December 2005 has been qualified by the reporting accountants in respect of inventories as set out in Appendix II of this circular.

(d) For the purpose of preparing the unaudited pro forma financial information of the Enlarged Group, the audited consolidated balance sheet of Brascabos has been translated from R$ to HK$ based on the exchange rate of R$1.00 = HK$3.35.

(B) LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

Deloitte.
德勤

26 June 2006

The Board of Directors
Solartech International Holdings Limited
Unit 7, 2/F., Kingsford Industrial Centre
13 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

Dear Sirs,

Accountants' Report on Unaudited Pro Forma Financial Information

We report on the unaudited pro forma financial information of Solartech International Holdings Limited (the "Company") and its subsidiaries and Brascabos Componentes Elétricos e Eletrônicos Ltda ("Brascabos") and its subsidiary (hereinafter collectively referred to as the "Enlarged Group"), which has been prepared by the Directors for illustrative purposes only, to provide information about how the proposed acquisition of all the shares of Brascabos might have affected the financial information presented, for inclusion in Appendix III of the circular dated 26 June 2006 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out from page 100 to 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 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with Directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative 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 future and may not be indicative of the financial position of the Group as at 31 December 2005 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma financial information of the Enlarged Group has been properly compiled by the Directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

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. DIRECTORS' INTERESTS

(a) Directors' interests in shares and debt securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions held by the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are 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 were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:–

Long positions in shares of the Company

Director	Number of shares of the Company	Percentage of the issued share capital of the Company
Mr. Chau Lai Him	117,202,000	24.16%

Long positions in shares of associated corporations – Hua Yi Copper

Director	Number of shares of Hua Yi Copper	Percentage of the issued share capital of Hua Yi Copper
Mr. Chau Lai Him	2,894,000	0.43%
Mr. Lau Man Tak	970,000	0.15%

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to

Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders' and other shareholders' interests in the Company and the Group

As at the Latest Practicable Date, pursuant to the register kept by the Company under Section 336 of the SFO, the following persons had an interest or short position in the shares or 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:–

Long positions in shares of the Company

Name	Number of shares of the Company	Capacity	Percent of capital of issued share the Company
Newcorp Ltd.	81,992,000	interest of corporation	16.90
Chau's Family 1996 Limited	81,992,000	controlled by substantial corporation beneficial owner	16.90
Hill David Henry Christopher	81,992,000	interest of corporation controlled by substantial shareholder	16.90
Hill Rebecca Ann	81,992,000	interest of substantial child under 18 or spouse	16.90
Newcorp Ltd.	81,992,000	interest of corporation controlled by substantial shareholder	16.90
Yin Jin Hua	75,300,000	beneficial owner	15.52
Moore Michael William	40,672,727	interest of controlled corporation	8.39
Penta Investment Advisers Ltd	40,672,727	investment manager	8.39
Zwaanstra John	40,672,727	interest of controlled corporation	8.39
Stark Investments (Hong Kong) Limited	28,363,636	investment manager	5.85
Centar Investments (Asia) Ltd.	21,981,818	beneficial owner	4.53
Chau Lai Him	35,210,000	beneficial owner	7.26
Deutsche Bank Aktiengesellschaft	24,430,000	security interest in shares	5.04
Credit Suisse Group	43,010,000	interest of controlled corporation	8.87

Save as disclosed in this circular, the Directors and chief executive of the Company are not aware of any person who, as at the Latest Practicable Date, had any interest or short position in the shares or 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.

(c) Other persons having interests or short positions in the Company and the Group

So far as is known to any Director, there is no other persons (other than those disclosed in this circular), who has an interest or short position in the shares and underlying shares of the issuer which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or, who is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the group and the amount of each of such person's interest in such securities, together with particulars of any options in respect of such capital other than disclosed as follows:–

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	15%
上海周氏電業有限公司 Shanghai Chau's Electrical Co., Ltd.	上海朱家角資產投資經營發展有限公司	Beneficial owner	US$875,000	35%
FT Multi-Media Limited	Nobleman Holdings Limited	Beneficial owner	4,000 shares	40%

3. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within 2 years preceding the date of this circular and are or may be material:–

(a) On 20 April 2006, the Subscribers entered into a placing agreement pursuant to which the Subscribers conditionally agreed to place, through a placing agent, up to 93,000,000 Shares. On the same date the Company entered into a subscription agreement with the Subscribers whereby the Subscribers agreed to subscribe for up to 93,000,000 Shares. On 24 April 2006, the Company entered into a convertible notes subscription agreement whereby certain investors agreed to subscribe for convertible notes issued by the Company in the aggregate principal amount of US$10,000,000. Further details of the above agreements are set out in the Company's announcements dated 25 April 2006, 8 May 2006 and the circular dated 17 May 2006.

(b) On 20 October 2005, Master Achieve Enterprises Limited (an indirect non-wholly owned subsidiary of the Company) entered into a joint venture agreement with Zijin Investment and Minxi Xinghang to form a limited liability joint venture company in Fujian Province, the PRC to mainly engage in the development, production and sales of copper pipe products. Further details of this joint venture are set out in the Company's announcements dated 8 September 2005, 27 October 2005 and circular dated 17 November 2005.

(c) On 4 July 2005, Skywalk Assets Management Limited, a wholly owned subsidiary of the Company, entered into a top-up placing agreement with Kingston Securities Limited and Grand Vinco Capital Limited (as joint placing agents) to place 111,000,000 shares of Hua Yi Copper held by the Company to independent investors. On the same date the Company entered into a subscription agreement with Hua Yi Copper to subscribe for 111,000,000 new Shares. Details of the above transactions are set out in the Company's announcement dated 4 July 2005.

(d) On 24 May 2005, Chau's Family 1996 Limited entered into a placing agreement and a subscription agreement with Kingston Securities Limited (as placing agent) and the Company respectively. Chau's Family 1996 Limited agreed to place through Kingston Securities Limited 65,390,000 Shares pursuant to the terms and conditions of the aforesaid placing agreement, and Chau's Family 1996 Limited agreed to subscribe for 65,390,000 Shares pursuant to the terms and conditions of the aforesaid subscription agreement. Further details of the above are set out in the Company's announcement dated 24 May 2005.

(e) On 26 April 2005, Skywalk Assets Management Limited, a wholly owned subsidiary of the Company, entered into a top-up placing agreement with Core Pacific – Yamaichi International (H.K.) Limited (as placing agent) to place 25,912,000 shares of Hua Yi Copper to independent investors. On the same date Skywalk Assets Management Limited entered into a subscription agreement with Hua Yi Copper to subscribe for 25,912,000 new shares of Hua Yi Copper. On the same date, Hua Yi Copper also entered into a new shares placing agreement with Grand Vinco Capital Limited (as placing agent) to place 80,000,000 new shares of Hua Yi Copper to independent investors. Details of the above transactions are set out in the Company's announcement dated 27 April 2005.

(f) On 17 June 2004, Chau's Family 1996 Limited entered into a placing agreement and a subscription agreement with Kingston Securities Limited (as placing agent) and the Company respectively. Pursuant to the aforesaid placing agreement, Chau's Family 1996 Limited agreed to place through Kingston Securities Limited 54,000,000 Shares to independent investors. Pursuant to the aforesaid subscription agreement, Chau's Family 1996 Limited conditionally agreed to subscribe for 54,000,000 new Shares. Further details of the aforesaid transactions are set out in the Company's announcement dated 17 June 2004.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into or proposed to enter into any service contract with any member of the Group which will not expire or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against any member of the Group.

6. COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors and their respective associates (as defined in the Listing Rules) was considered to have an interest in a business which competes or is likely to compete with the business of the Group.

7. QUALIFICATIONS AND CONSENT OF EXPERT

The following are the qualifications of the expert which has given opinions or advice which are contained in this circular.

Name	Qualification
Morison Heng	Certified Public Accountants
Deloitte Touche Tohmatsu	Certified Public Accountants

Each of Morison Heng and Deloitte Touche Tohmatsu have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion herein of their letters and/or references to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of Morison Heng and Deloitte Touche Tohmatsu do not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. GENERAL

(a) Save as disclosed in this circular, every Director has confirmed that he does not have any interest, direct or indirect, in any assets which have been, since 30 June 2005 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or, are proposed to be acquired or disposed of by or leased to any member of the Group.

(b) The Directors confirmed that there is no contract or arrangement subsisting as at the Latest Practicable Date in which any of them is materially interested and which is significant in relation to the business of the Group.

(c) The secretary of the Company and the qualified accountant is Mr. Lau Man Tak, a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants.

(d) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(e) The share registrar and transfer office of the Company in Hong Kong is located at Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and principal place of business of the Company at No.7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong during normal business hours up to and including Monday, 24 July 2006 and will be available for inspection at the SGM:–

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the year ended 31 March 2004 and the period ended 30 June 2005 and the interim report of the Company for the six months ended 31 December 2005;

(c) all financial reports, balance sheets, statements and other documents referred to in this circular;

(d) a copy of each circular issued pursuant to the requirements set out in Chapter 14 and/or 14A which has been issued since 30 June 2005, being the date of the latest published audited accounts;

(e) the material contracts referred to in paragraph 3 of this Appendix IV;

(f) the accountant's report of Morison Heng, the text of which is set out in Appendix II of this circular;

(g) the reporting accountant's letter of Deloitte Touche Tohmatsu, the text of which is set out in section B in Appendix III of this circular; and

(h) the letters of consent from each of Morison Heng and Deloitte Touche Tohmatsu as referred to in paragraph 7 of this Appendix IV.

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 an special general meeting of Solartech International Holdings Limited (the "Company") will be held at 10:30 a.m. on Monday, 24 July 2006 at Academy Rooms I & II, 1/F, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company:–

ORDINARY RESOLUTION

"**THAT** the Quota Purchase Agreement (the "Quota Purchase Agreement") dated 30 May 2006 between Whirlpool S.A. and Brasmotor S.A. as sellers and the Company as purchaser for the acquisition (the "Acquisition") of 100% of the equity interest in Brascabos Componentes Elétricos e Eletrônicos Ltda. at an aggregate consideration of US$10,000,000 (a copy of which has been produced at the SGM and marked "A" and signed by the chairman of the SGM for the purpose of identification) be and is hereby approved and the Directors be and are hereby authorized to exercise all the powers of the Company and take all other steps as might in the opinion of the Directors be desirable or necessary in connection with the Quota Purchase Agreement and/or the Acquisition including without limitation, settling, approving and executing one or more agreements in connection with the Quota Purchase Agreement and/or the Acquisition and generally to exercise all the powers of the Company as they deem desirable or necessary for the foregoing purpose."

For and on behalf of the Board
Solartech International Holdings Limited
Chau Lai Him
Chairman and Managing Director

Hong Kong, 26 June 2006

* *For identification purposes only*

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor, or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

3. The instrument appointing a 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 such power or authority shall be delivered to the head office and principal place of business of the Company in Hong Kong at No.7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting or poll (as the case may be) at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened.

5. A form of proxy for use at the meeting is enclosed.