



## 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)

## 2007/08 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Directors") of Solartech International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2007, as follows:-

### Condensed Consolidated Income Statement

For the six months ended 31 December 2007

	Notes	Continuing operations For the six months ended 31 December		Discontinued operations For the six months ended 31 December		Total For the six months ended 31 December	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover	3	2,161,871	1,672,114	86,378	62,087	2,248,249	1,734,201
Cost of sales		(2,025,590)	(1,547,731)	(71,133)	(49,604)	(2,096,723)	(1,597,335)
Gross profit		136,281	124,383	15,245	12,483	151,526	136,866
Other income		26,855	10,430	476	1,197	27,331	11,627
Interest income		11,869	10,491	157	303	12,026	10,794
General and administrative expenses		(95,784)	(78,591)	(5,420)	(3,915)	(101,204)	(82,506)
Selling and distribution expenses		(21,489)	(14,722)	(1,994)	(1,913)	(23,483)	(16,635)
Change in fair value of derivative financial instruments		10,423	(1,300)	-	-	10,423	(1,300)
Change in fair value of conversion option of convertible notes		6,660	10,213	-	-	6,660	10,213
Finance costs		(36,321)	(29,950)	(364)	(1,037)	(36,685)	(30,987)
Share of result of an associate		(13)	128	-	-	(13)	128
Share of result of a jointly controlled entity		(202)	(42)	-	-	(202)	(42)
Discount on acquisition of additional interests in subsidiaries		-	4,581	-	-	-	4,581
Gain (loss) on deemed disposal of interest in a listed subsidiary		21,077	(456)	-	-	21,077	(456)
Profit before taxation	4	59,356	35,165	8,100	7,118	67,456	42,283
Taxation	5	(12,216)	(2,058)	(63)	(1,331)	(12,279)	(3,389)
Profit for the period		47,140	33,107	8,037	5,787	55,177	38,894
Dividends paid	6	-	19,314	-	-	-	19,314
Profit attributable to:							
Equity holders of the parent		39,802	27,772	8,037	5,787	47,839	33,559
Minority interests		7,338	5,335	-	-	7,338	5,335
		47,140	33,107	8,037	5,787	55,177	38,894
Earnings per share	7						
from continuing and discontinued operations						8.56 HK cents	6.91 HK cents
- basic							
- diluted						6.72 HK cents	4.49 HK cents
from continuing operations							
- basic						7.12 HK cents	5.72 HK cents
- diluted						5.49 HK cents	3.50 HK cents

\* for identification purposes only

## Condensed Consolidated Balance Sheet

At 31 December 2007

	31.12.2007 HK\$'000 (Unaudited)	30.6.2007 HK\$'000 (Audited)
<b>Non-current assets</b>		
Property, plant and equipment	675,829	611,996
Prepaid lease payments for land-non-current portion	86,601	80,220
Prepayment for property, plant and equipment	–	22,648
Prepayment for acquisition of subsidiaries	30,535	–
Interests in associates	11,659	11,196
Interests in jointly controlled entities	18,622	18,023
Deferred tax assets	5,584	6,275
Goodwill	23,389	23,389
Loans receivable	38,808	46,898
	<b>891,027</b>	820,645
<b>Current assets</b>		
Inventories	421,695	512,092
Debtors, other loans and receivables, deposits and prepayments	716,137	516,946
Bills receivable	53,610	62,733
Prepaid lease payments for land-current portion	2,164	1,801
Derivative financial assets	106	2,034
Notes receivable	–	55,000
Tax recoverable	7,031	454
Pledged deposits	51,655	96,650
Bank balances and cash	353,844	286,070
	<b>1,606,242</b>	1,533,780
Assets classified as held for sale	73,385	79,744
	<b>1,679,627</b>	1,613,524
<b>Current liabilities</b>		
Creditors, other advances and accrued charges	245,029	232,468
Bills payable	55,231	161,019
Taxation	7,036	11,289
Obligations under finance leases	4,300	3,185
Borrowings	734,262	717,719
Derivative financial liabilities	18,018	9,967
Convertible notes - debt component	75,363	72,128
Conversion option of convertible notes	507	7,167
	<b>1,139,746</b>	1,214,942
Liabilities associated with assets classified as held for sale	5,669	20,332
	<b>1,145,415</b>	1,235,274
<b>Net current assets</b>	<b>534,212</b>	378,250
<b>Total assets less current liabilities</b>	<b>1,425,239</b>	1,198,895

## Condensed Consolidated Balance Sheet (Continued)

At 31 December 2007

	<b>31.12.2007</b>	30.6.2007
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
<b>Non-current liabilities</b>		
Borrowings	<b>15,957</b>	20,408
Obligations under finance leases	<b>4,306</b>	4,821
Deferred consideration	<b>10,424</b>	16,297
Deferred tax liabilities	<b>20,124</b>	20,743
	<b>50,811</b>	62,269
	<b>1,374,428</b>	1,136,626
<b>Capital and reserves</b>		
Share capital	<b>5,978</b>	4,892
Reserves	<b>1,067,184</b>	933,534
Equity attributable to equity holders of parent	<b>1,073,162</b>	938,426
Share option reserve of a listed subsidiary	<b>4,693</b>	4,128
Minority interests	<b>296,573</b>	194,072
	<b>1,374,428</b>	1,136,626

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2007

## 1. Basis of Preparation

The condensed consolidated 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 (the “Stock Exchange”) and with Hong Kong Accounting Standard 34 (HKAS 34), “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

## 2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2007.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (new “HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 July 2007. The adoption of these new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting period. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>2</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

## 3. Segment Information

On 21 May 2007, Hua Yi Copper Holdings Limited (“Hua Yi Copper”), the listed subsidiary of the Company, announced a plan to dispose of its business of manufacture and trading of life-like plants. Accordingly, the business segment of manufacture and trading of life-like plants was classified as discontinued operation, and the comparative figures of this segment was re-classified from continuing operations to discontinued operation.

### 3. Segment Information (Continued)

During the year ended 30 June 2007, the Group has ceased all the operation relating to the production, distribution and licensing of television programmes and no further sales transaction will be generated from this business segment. Accordingly, this segment was classified as discontinued operation, and the comparative figures of this segment was re-classified from continuing operations to discontinued operation.

An analysis of the Group's turnover and segment results by business segment which is the Group's primary reporting segment is as follows:

#### For the six months ended 31 December 2007

	Continuing operations				Discontinued operations					
	Cables and wires HK\$'000	Copper rods HK\$'000	Connectors and terminals HK\$'000	Other HK\$'000	Total HK\$'000	Life-like plants HK\$'000	Production, distribution and licensing of television programmes HK\$'000	Total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
TURNOVER										
External sales	392,155	1,311,693	436,279	21,744	2,161,871	86,378	-	86,378	-	2,248,249
Inter-segment sales	10,542	177,994	213	-	188,749	-	-	-	(188,749)	-
Total sales	402,697	1,489,687	436,492	21,744	2,350,620	86,378	-	86,378	(188,749)	2,248,249
Inter-segment sales are charged at cost.										
RESULT										
Segment result	2,463	30,853	42,737	(119)	75,934	8,324	-	8,324	-	84,258
Unallocated corporate income					13,759			157		13,916
Unallocated corporate expenses					(21,538)			(17)		(21,555)
Finance costs					(36,321)			(364)		(36,685)
Change in fair value of conversion option of convertible notes					6,660			-		6,660
Share of result of an associate	(13)	-	-		(13)			-		(13)
Share of result of a jointly controlled entity	-	(202)	-		(202)			-		(202)
Gain on deemed disposal of interest in a listed subsidiary					21,077			-		21,077
Profit before taxation					59,356			8,100		67,456
Taxation					(12,216)			(63)		(12,279)
Profit for the period					47,140			8,037		55,177

### 3. Segment Information (Continued)

For the six months ended 31 December 2006

	Continuing operations					Discontinued operations				
	Cables and wires HK\$'000	Copper rods HK\$'000	Connectors and terminals HK\$'000	Other HK\$'000	Total HK\$'000	Life-like plants HK\$'000	Production, distribution and licensing of television programmes HK\$'000	Total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>										
External sales	395,693	977,745	282,547	16,129	1,672,114	61,964	123	62,087	-	1,734,201
Inter-segment sales	11,993	165,632	236	-	177,861	-	-	-	(177,861)	-
<b>Total sales</b>	<b>407,686</b>	<b>1,143,377</b>	<b>282,783</b>	<b>16,129</b>	<b>1,849,975</b>	<b>61,964</b>	<b>123</b>	<b>62,087</b>	<b>(177,861)</b>	<b>1,734,201</b>
Inter-segment sales are charged at cost.										
<b>RESULT</b>										
Segment result	13,925	30,646	8,009	1,599	54,179	7,395	457	7,852		62,031
Unallocated corporate income					13,722			303		14,025
Unallocated corporate expenses					(17,210)			-		(17,210)
Finance costs					(29,950)			(1,037)		(30,987)
Change in fair value of conversion option of convertible notes					10,213			-		10,213
Discount on acquisition of additional interests in subsidiaries	4,581	-	-	-	4,581					4,581
Share of result of an associate	128	-	-	-	128			-		128
Share of result of a jointly controlled entity	-	(42)	-	-	(42)			-		(42)
Gain on deemed disposal of subsidiaries					(456)			-		(456)
<b>Profit before taxation</b>					<b>35,165</b>			<b>7,118</b>		<b>42,283</b>
<b>Taxation</b>					<b>(2,058)</b>			<b>(1,331)</b>		<b>(3,389)</b>
<b>Profit for the period</b>					<b>33,107</b>			<b>5,787</b>		<b>38,894</b>

### 3. Segment Information (Continued)

#### Geographical segments

The Group's operations are located in Hong Kong, the People's Republic of China (the "PRC"), America, Europe and other Asian regions.

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

	Continuing operations		Discontinued operations		Total turnover by geographical market	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
PRC	<b>1,580,615</b>	1,211,227	-	123	<b>1,580,615</b>	1,211,350
America	<b>410,756</b>	278,965	<b>84,351</b>	59,792	<b>495,107</b>	338,757
Europe	<b>31,248</b>	21,345	<b>1,072</b>	1,031	<b>32,320</b>	22,376
Hong Kong	<b>42,451</b>	54,821	<b>900</b>	980	<b>43,351</b>	55,801
Other Asian regions	<b>96,801</b>	105,756	<b>55</b>	161	<b>96,856</b>	105,917
	<b>2,161,871</b>	1,672,114	<b>86,378</b>	62,087	<b>2,248,249</b>	1,734,201

### 4. Profit Before Taxation

	Continuing operation		Discontinued operations		Total	
	For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Profit before taxation has been arrived at after charging:						
Depreciation of property, plant and equipment	<b>31,475</b>	21,660	-	739	<b>31,475</b>	22,399
Charge of prepaid lease premium for land	<b>1,311</b>	1,094	<b>42</b>	42	<b>1,353</b>	1,136
Loss on disposal of property, plant and equipment	<b>966</b>	1,415	-	-	<b>966</b>	1,415
Share-based payment expense	<b>901</b>	1,593	-	-	<b>901</b>	1,593

## 5. Taxation

	Continuing operation		Discontinued operations		Total	
	For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Hong Kong Profits Tax	<b>1,200</b>	800	<b>63</b>	1,331	<b>1,263</b>	2,131
Taxation in other jurisdictions	<b>10,897</b>	1,879	-	-	<b>10,897</b>	1,879
	<b>12,097</b>	2,679	<b>63</b>	1,331	<b>12,160</b>	4,010
Deferred taxation						
Change in statutory tax rate in Mainland China	<b>(854)</b>	-	-	-	<b>(854)</b>	-
Current period	<b>973</b>	(621)	-	-	<b>973</b>	(621)
	<b>119</b>	(621)	-	-	<b>119</b>	(621)
	<b>12,216</b>	2,058	<b>63</b>	1,331	<b>12,279</b>	3,389

Hong Kong Profits Tax, Enterprise Income Tax in Mainland China and taxation in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate for the full financial year.

The increase in taxation in other jurisdictions was arisen from the increase in assessable profit of a subsidiary in Brazil during the period.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will generally change the enterprise income tax rate from 33% to 25% for certain PRC subsidiaries from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realized or the liability is settled. The effect on change in tax rate resulted in the increase in deferred taxation by HK\$854,000 during the period.



## 6. Dividends

	For the six months ended 31 December	
	2007	2006
	HK\$'000	HK\$'000
Final dividend in respect of 2006/2007 at Nil per share (2005/2006: HK\$0.04)	-	19,314

The directors do not recommend the payment of any interim dividend.

## 7. Earnings Per Share

From continuing and discontinued operations

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

	For the six months ended 31 December	
	2007	2006
	HK\$'000	HK\$'000
Results for the period attributable to equity holders		
of the parent for the purpose of basic earnings per share	<b>47,839</b>	33,559
Effect of dilutive potential ordinary shares of Hua Yi Copper	<b>(423)</b>	(80)
Imputed interest on convertible notes	<b>3,235</b>	2,963
Change in fair value of conversion option of convertible notes	<b>(6,660)</b>	(10,213)
Earnings for the purpose of diluted earnings per share	<b>43,991</b>	26,229
	<b>Number of shares</b>	
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>559,154,469</b>	485,349,253
Effect of dilutive potential ordinary shares:		
Share options	<b>25,178,528</b>	28,174,054
Convertible notes	<b>70,545,455</b>	70,545,455
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>654,878,452</b>	584,068,762

## 7. Earnings Per Share (Continued)

### From continuing operations

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

	<b>For the six months ended 31 December</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Earnings for the purpose of basic earnings per share from continuing operations	<b>39,802</b>	27,772
Effect of dilutive potential ordinary shares of Hua Yi Copper	<b>(423)</b>	(80)
Imputed interest on convertible notes	<b>3,235</b>	2,963
Change in fair value of conversion option of convertible notes	<b>(6,660)</b>	(10,213)
Earnings for the purpose of diluted earnings per share from continuing operations	<b>35,954</b>	20,442

The denominators used are the same as those detailed above for calculating basic and diluted earnings per share from continuing and discontinued operations.

### From discontinued operations

Basic earnings per share from discontinued operations is 1.44 HK cents (2006: 1.19 HK cents) per share and diluted earnings per share from discontinued operations is 1.23 HK cents (2006: 0.99 HK cent) per share, based on the earnings for the period from discontinued operations of HK\$8,037,000 (2006: HK\$5,787,000). The denominators used are the same as those detailed above for basic and diluted earnings per share.

## **Management Discussion and Analysis**

### **Financial Results**

The Directors are pleased to announce that for the six months ended 31 December 2007, the Company and its subsidiaries (the "Group") recorded a total turnover of approximately HK\$2,248,249,000, representing an increase of 29.6% over the HK\$1,734,201,000 for the corresponding period last year. Profit attributable to shareholders was approximately HK\$47,839,000, representing an increase of 42.6% over approximately HK\$33,559,000 for the corresponding period last year. Basic earnings per share were about HK8.56 cents (2006/07 interim: HK6.91 cents).

### **Interim Dividend**

The Directors have resolved not to declare any interim dividend for the year ending 30 June 2008 (2006/07 interim: HK2 cents per ordinary share).

### **Business Review**

During the period under review, the Group continued to integrate its business to facilitate better allocation of resources. By business segment, cable and wire business reported turnover of approximately HK\$392,155,000, accounting for 17.4% of the Group's total turnover. The Group's wholly-owned subsidiary, Brascabos Componentes Elétricos e Eletrônicos Ltda. ("Brascabos"), sustained in delivering satisfactory results and driving significant growth of the connectors and terminals/wire harnesses business. During the period under review, the segment's turnover amounted to approximately HK\$436,279,000 and accounted for 19.4% of the Group's total turnover. Sales of copper rod products was approximately HK\$1,311,693,000, representing 58.3% of the Group's total turnover.

By market, with Brascabos performing well and the effort of the newly set up international sales and marketing department, turnover in America increased to approximately HK\$495,107,000 during the period under review, accounting for 22.0% of the Group's total turnover. Hard work of the international sales and marketing department also unearthed abundant opportunities in Europe, with turnover increased year-on-year by 44.4% to approximately HK\$32,320,000 and accounted for 1.5% of the Group's total turnover. As for Mainland China and Hong Kong, turnover increased by 28.2% to approximately HK\$1,623,966,000 over the same period last year, accounting for 72.2% of the Group's total turnover. Other markets in Asia reported decrease in turnover of 8.6% to around HK\$96,856,000, accounting for 4.3% of the Group total.

The Group raised approximately HK\$63,800,000 from a share placement in August 2007. The move significantly ameliorated the Group's shareholders base and financial position, giving it a strong foundation for further business expansion. Of the proceeds raised, around HK\$25,000,000 is intended for use as general working capital, while the balance of approximately HK\$38,800,000 will be invested in expanding the business in Brazil.

## **Management Discussion and Analysis (Continued)**

### **Cable and Wire**

For the cable and wire business, lingering high metal costs and rising labour costs posted challenges with some smaller players being ousted from the market, allowing the Group to enlarge its share in the consolidating market. To fulfil the purposes of supplying the needs of customers in the Yangtze River Delta, improving cost effectiveness and expanding production scale, the Group located its new production bases strategically in Kunshan, Jiangsu province and Shang Hang County, Fujian province. Leveraging on its solid business foundation, the Group actively expanded customer base for the new production bases, secured some of the international safety certificates for their products and commenced commercial operation. However, as these factories are still in initial development stage, their contribution to the results of the Group is still relatively insignificant. As a result of the increasing production costs, administrative and sales and marketing expenses of the new factories, the segment made a decrease in turnover and profit against the same period last year.

### **Connectors and Terminals/Wire Harnesses**

The Group continued to perform well in its connectors and terminals/wire harnesses businesses. Turnover was up 54.4% to approximately HK\$436,279,000 over the last corresponding period, which was mainly attributable to the encouraging performance of the Group's wholly-owned Brazilian subsidiary, Brascabos. In addition to the supply of wire products to Whirlpool, an existing customer, the Group has been using its established international customer network to expand Brascabos' business, bringing in new customers like Electrolux and LG. As Brascabos was able to secure long-term contracts from existing customers, the weakened US consumer market has little effect on its business.

The Group's plant in Chonburi, Thailand also recorded satisfactory performance, with turnover doubled over the same period last year. With an annual production capacity of around 45,600,000 sets of connectors and terminals/wire harnesses, the factory was able to satisfy the demands of production lines of existing customers, such as Electrolux, Sony and Thompson Electric, in South-east Asia. The Group will continue to actively develop its customer network in the local market so as to boost sales of the plant.

In addition, the Group's automotive harness business, operated via Brascabos delivered stable performance. Capitalising on Brascabos' extensive experience in automotive harness production, the Group intends to actively develop the automotive harness markets in Latin America and other regions.

## **Management Discussion and Analysis (Continued)**

### **Copper Rod**

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

During the period under review, the average international price of copper lingered at a high level with the average cash settlement price of copper between July to December 2007 of the London Metal Exchange at approximately US\$7,450 per tonne compared to US\$7,369 per tonne for the same period last year which affected Hua Yi Copper's profitability as trade financing costs stood high.

With the robust development of mass-scale production of industries and infrastructure projects in PRC, demands for copper rods and copper wire continued to be relentless. During the period under review, total turnover from copper rods and related products surged by approximately 34.2% to HK\$1,311,693,000 over the same period last year (2006/2007 interim: HK\$977,745,000). The average amount of copper rod products manufactured for and sold by Hua Yi Copper's Dongguan Hua Yi plant increased to 3,700 tonnes per month over the 2,900 tonnes per month in last corresponding period, with the remaining capacity used for processing products for clients. Since Hua Yi Copper uses letter of credit and trust receipt loans to settle copper cathode purchase for its copper rod manufacturing and trading business, the high copper price, during the period under review, led to perennial financing cost pressure on Hua Yi Copper's own production business.

The business of Hua Yi Copper's new factory in Kunshan City, Jiangsu Province grew steadily during the period under review. The factory manufactures value-added downstream products including annealed copper wires, tin-coated copper wires, stranded copper wires and copper wires of different specifications, and reported a turnover of HK\$120,467,000. With many manufacturers of electrical appliances, electronic products and wires relocating their up production bases to the Yangtze River Delta region, the Group sees opportunities for securing more local orders for the new plant. Hua Yi Copper will continue to identify new customers and strive to increase sales of its downstream products.

The plant of Fujian Jinyi Copper Products Co. Ltd ("Fujian Jinyi"), a joint venture of Hua Yi Copper, Zijin Mining Group Co., Ltd ("Zijin Mining") and Fujian Minxi Xinghang State-owned Asset Investment Co., Ltd ("Minxi Xinghang"), in Shang Hang County, Fujian Province, commenced operation in early 2008. The factory has an annual production capacity of around 10,000 tonnes of copper pipes for use in refrigerators, air-conditioners and as construction materials.

## **Management Discussion and Analysis (Continued)**

### **Mining Business**

In August 2007, Hua Yi Copper changed its Chinese name from “華藝銅業控股有限公司” to “華藝礦業控股有限公司” to reflect its new focus on metal mining investments. The Group entered into a share purchase agreement on 7 October 2007 to acquire two iron-ore mines in Hebei Province by way of cash, issue of and call option on new shares with an aggregate consideration of approximately HK\$167,000,000. The deal included a 90.25% stake in Gu Shan Mine (with exploration license) and Zhong Guan Town Mine (with mining license) and an associated iron-ore concentrates processing plant with an annual capacity of 300,000 tonnes. According to the findings of a survey by an independent technical consultant commissioned by the Group, the two mines have an estimated total iron ore reserve of 199,000,000 tonnes. The acquisition is expected to be completed by the end of March 2008. After that, through the acquisition, Hua Yi Copper will derive direct income, hence immediate cash flow and revenue, on sales of mineral resources from the two mines.

Subsequent to the issue of new shares to settle the consideration of the acquisition, the beneficial interest of the Company in Hua Yi Copper will be reduced to less than 50% and Hua Yi Copper is ceased to be a subsidiary but an associated company of Solartech.

### **Life-like plants and other businesses**

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

### **Prospects**

For the cable and wire business, the Group will continue to seek new customers for the Kunshan and Shanghang factories, and apply for necessary safety certification for their products. We expected to see an increase in turnover after their operations mature. Enjoying concessions from local governments and relatively lower production costs over that of the Pearl River Delta, the Group will continue to consolidate the business segment by gradually relocating some of the existing productions lines in Shanghai to the Kunshan and Dongguan to the Shanghang factories.

Furthermore, the Group will continue to negotiate the possible acquisition of various entities engaging in cord manufacturing and sale business with manufacturing facilities in Europe and the PRC and a new memorandum of understanding was signed in January 2008, replacing the one in May 2006. The Group will continue to conduct due diligence to review the feasibility of the deal, which aims at accelerating development of the wire and cable business in Europe.

## **Management Discussion and Analysis (Continued)**

### **Prospects (Continued)**

The Group expects the buoyant connectors and terminals/wire harnesses businesses to emerge as major growth drivers. Besides seeking new customers, a subsidiary of Brascabos has started to build a new factory in Manaus, the northern part of Brazil, since mid 2007. The new factory is expected to replace the existing one under rental in the middle of this year, meeting sustained business growth and market demand. Furthermore, it will also study the feasibility of a spin off listing for Brascabos via mergers and acquisition. Being the ninth largest automobile producer in the world, Brazil is a major automobile harness market with strong growth potential for the Group. In Thailand, which is dubbed “Detroit of the East” because of her thriving automobile industry, the Group has a connector and terminals/wire harnesses plant. Capitalising on the above advantages, the Group will study and explore possible opportunities for its automotive harness business in South America and Southeast Asia.

Completion of the acquisition of the two mines in Hebei province signifies the success of the Group’s associated company, Hua Yi Copper, in diversifying and extending its business to mineral resources. Looking ahead, Hua Yi Copper will focus resources on developing its mining business, especially copper and iron ore, and continue to identify opportunities to invest in copper and iron mines. Leveraging on its solid experience in the copper industry, and complemented by an enlarged production scale, high-quality products and stable customer relationship, Hua Yi Copper will continue to consolidate its copper rod business.

To fortifying the professional strengths of its mining operation, the Group has brought in mine exploration and extraction experts into the Group. On 21 February 2008, the Group also signed a framework agreement with Shougang Holdings Limited (“Shougang Holdings”) and China Alliance International Holdings Limited (“China Alliance”). The group will cooperate with these strategic partners in exploration and mining of metals and minerals, particularly iron ore, in the PRC and other regions to leverage their experiences in the industry. Once the framework agreement is approved by the Company and passed by Hua Yi Copper’s special general meeting, Hua Yi Copper will grant China Alliance and Shougang Holdings an option to subscribe for 105,000,000 shares of Hua Yi Copper at the exercise price of HK\$0.614 per share. The Agreement will enable Hua Yi Copper to have access to solid technical and potential financial support to develop its mining operation.

Looking ahead, the Group will consolidate the foundation of its different businesses by integrating its resources and fortifying cost control. It will also actively grow its clientele and develop more high-margin products such as copper bonding wire technology, and to expand business in the higher-margin automotive component market. The Group will strive to grow its business globally and enlarge market share, thereby ensure better returns for shareholders.

## **Employees and Remuneration Policies**

As at 31 December 2007, the Group had approximately 7,000 employees in Hong Kong, the People's Republic of China ("PRC") and overseas. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

## **Liquidity and Financial Resources**

During the six months ended 31 December 2007, the Group had implemented a prudent financial management policy. As at 31 December 2007, the Group had cash and bank balances (including pledged bank deposits) amounting to approximately HK\$405 million (30 June 2007: HK\$382 million) and net current assets value being over approximately HK\$534 million (30 June 2007: HK\$378 million). The Group's gearing ratio as at 31 December 2007 was 0.69 (30 June 2007: 0.77), being a ratio of total bank borrowings of approximately HK\$742 million (30 June 2007: HK\$725 million) to shareholders' funds of approximately HK\$1,073 million (30 June 2007: HK\$938 million).

On 24 April 2006, the Company entered into convertible notes subscription agreements with certain investors which were third parties independent of the Company for the issue of convertible notes in the aggregate principal amount of US\$10,000,000 (equivalent to approximately HK\$78,000,000) with the maturity date of 9 May 2008, being the second anniversary of 9 May 2006, the date of issue of the convertible notes. The investors are entitled to convert the convertible notes during the conversion period commencing on and excluding the 14th day after the date of issue of the Convertible Notes up to and including the date which is 14 days prior to the maturity date. The initial conversion price is HK\$1.10 per ordinary share of the Company ("Share"), subject to adjustments. In the event that the average closing price of the Shares for any 30 consecutive dealing days representing 150% or more of the conversion price, the outstanding principal amount of the convertible notes shall be mandatorily converted into the Shares at the conversion price of HK\$1.10 per share. The outstanding principal amount of the convertible notes which have not been converted up to the maturity date is redeemable by the Company at its face value at the maturity date. Details of the material terms of the convertible notes subscription agreements were set out in the announcement of the Company dated 25 April 2006. As at 31 December 2007, none of the investors converted the convertible notes.

As at 31 December 2007, the Group had pledged certain property, plant and machinery, land use rights, fixed bank deposits and trade debtors with an aggregate net book value of approximately HK\$295 million (30 June 2007: HK\$265 million) to secure general banking facilities granted to the Group.

As at 31 December 2007, the Company had issued guarantees to the extent of approximately HK\$223 million (30 June 2007: HK\$223 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK\$705 million (30 June 2007: HK\$738 million) was utilised. In addition, the Company had issued guarantees to a financial institute amounting to approximately HK\$39 million (30 June 2007: HK\$39 million) in respect of commodity trading of copper by its subsidiaries.



## **Liquidity and Financial Resources (Continued)**

For the six months ended 31 December 2007, the Group entered into copper forward contracts, foreign exchange forward contracts and interest rates swap contracts (collectively referred as “derivative financial instruments”) to manage the copper price risks, foreign exchange risks and interest rate risks. These derivative financial instruments were entered into in accordance with the Group’s hedging policies, but they were not qualified for hedge accounting under the new HKFRS which became effective from 1 January 2006. Therefore, the outstanding derivative financial instruments have been revalued and stated at their fair value at the balance sheet date and the changes in fair value were charged to current year’s income statement.

The Group’s overall financial risk management focuses on the unpredictability of the financial markets, controls the level of financial risks that the Group can bear, and minimises any potential adverse effects on the financial performance of the Group. The purpose of the financial risk management is to ensure that transactions undertaken are in accordance with the Group’s policies and not for speculative purpose. The net gain of the derivative financial instruments for the six months ended 31 December 2007 was approximately HK\$10,423,000 (2006/07 interim: net loss of HK\$1,300,000).

## **Discloseable Transaction – Disposal of Certain Subsidiaries of Hua Yi Copper Under Conditional Sale and Purchase Agreement**

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

## **Discloseable Transaction – Disposal of Certain Subsidiaries of Hua Yi Copper Under Conditional Sale and Purchase Agreement (Continued)**

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

On 20 September 2007, Hua Yi Copper and the Company jointly announced that the parties of the Sales and Purchase Agreement entered into a supplemental agreement (the “Supplement Agreement”) on 19 September 2007 which provides, among other things, that the long stop date be extended to 31 December 2007 or such other date as the parties thereto may agree. The details of other material terms of the Supplemental Agreement were set out in the joint announcement of Hua Yi Copper and the Company dated 20 September 2007.

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

On 28 February 2008, Hua Yi Copper and the Company jointly announced that the parties to the Sale and Purchase Agreement entered into a supplemental agreement to further extend the long stop date to 31 May 2008 or such other date as the parties thereto may agree. Completion of the Sale and Purchase Agreement is subject to the satisfaction of certain conditions precedent which are currently still pending.

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

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

## **Placing of New Shares of Hua Yi Copper**

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

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

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

## **Major Transaction and Very Substantial Disposal**

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

On 7 October 2007, HYC Finance Company Limited, a wholly-owned subsidiary of Hua Yi Copper, (“HYC”), Meyton Investment Limited, a wholly-owned subsidiary of Yeading, (“Meyton”) and Yeading entered into a loan agreement (the “Loan Agreement”) pursuant to which HYC agreed to lend to Meyton HK\$30,000,000 which shall be applied for the sole purpose of contribution to the registered capital of 青島華鑫礦業有限公司 (Qingdao Hua Xin Mining Industry Limited). Details of the Acquisition and the Loan Agreement were set out in the joint announcement of the Company and Hua Yi Copper dated 15 October 2007 and the circular of the Company dated 31 December 2007 (the “Circular”).

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

As at 28 December 2007, being the latest practicable date of the Circular, the Company (through its interest in Skywalk) beneficially owned approximately 51.25% of the issued share capital of Hua Yi Copper. The beneficial interest of the Company in the issued share capital of Hua Yi Copper would be reduced from approximately 51.25% to approximately 45.46% immediately upon completion, and may further be reduced to approximately 43.03% upon the allotment and issue of the Option Shares. As a result, Hua Yi Copper would cease to be a subsidiary of the Company upon completion.

On 17 January 2008, the special general meeting of Hua Yi Copper was held and the shareholders of Hua Yi Copper approved the Share Purchase Agreement and the issuance of the Consideration Shares and the Option Share. On the same day, the special general meeting of the Company was held and the shareholders of the Company approved the Share Purchase Agreement and the transactions contemplated thereunder. The Acquisition is expected to be completed by the end of March 2008.

## **Post Balance Sheet Events**

### **Proposed Acquisition**

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

### **Framework Agreement and Option Shares**

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

The proposed issuance of the Option Shares is subject to the approval of the shareholders of Hua Yi Copper to grant a specific mandate in respect of such issuance.

As at the date of the publication of the joint announcement on 26 February 2008, the Company (through its interest in Skywalk) beneficially owned approximately 51.21% of the issued share capital of Hua Yi Copper. The beneficial interest of the Company in the issued share capital of Hua Yi Copper will be reduced from approximately 51.21% to approximately 45.17% immediately upon the allotment of the Option Shares in full. As a result, Hua Yi Copper will cease to be a subsidiary of the Company. Accordingly, the grant of the Option is a deemed disposal for the Company under the Listing Rules and a major transaction for the Company, and will be subject to the approval of the shareholders of the Company.

## **Framework Agreement and Option Shares (Continued)**

A special general meeting of each of the Company and Hua Yi Copper will be held to consider and approve, if thought fit, the transactions contemplated under the Framework Agreement (including the allotment of the Option Shares) and the allotment of the Option Shares respectively. A circular containing, among other things, further information on the Framework Agreement, a notice of the special general meeting of each of the Company and Hua Yi Copper, and other information required under the Listing Rules will be despatched by each of the Company and Hua Yi Copper to the shareholders of the Company and Hua Yi Copper respectively.

## **Purchase, Sale or Redemption of the Company's Listed Securities**

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the six months ended 31 December 2007.

## **Compliance with the Code on Corporate Governance Practices**

During the six months ended 31 December 2007, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") in Appendix 14 of the Listing Rules, save and except that there had not been separation between the roles of the chairman and the chief executive officer as required under code provision A.2.1 of the CG Code.

Mr. Chau Lai Him acts as the Chairman and Managing Director of the Company. Mr. Chau is the founder of the Group and has extensive industry experience. Mr. Chau is responsible for effective running of the board and for formulating business strategies. The Directors believe that it is the best interests of the Group for Mr. Chau to continue to be the executive chairman and that the current management structure has been effective in the development of the Group and implementation of business strategies under the leadership of Mr. Chau.

The Directors will continue to review the effectiveness of the Group's corporate governance structure to assess whether changes, including the separation of the roles of the chairman and the chief executive officer, are necessary in the future.

## **Audit Committee**

The Audit Committee comprises Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming, all of whom are independent non-executive directors of the Company. The Audit Committee has adopted terms of reference which are in line with the code provisions of the CG Code. The Audit Committee has reviewed the unaudited interim results for the six months ended 31 December 2007 and they agreed with the accounting treatment adopted.

## **Compliance with the Model Code**

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 of the Listing Rules (the “Model Code”) as the code of conduct regarding Directors’ securities transactions. Having made specific enquiry of all directors of the Company, all the directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 31 December 2007.

On behalf of the Board

**Chau Lai Him**

*Chairman and Managing Director*

Hong Kong SAR, 20 March 2008

*As at the date of this announcement, the board of directors of the Company comprises Mr. Chau Lai Him, Mr. Zhou Jin Hua, Mr. Liu Jin Rong and Mr. Chan Kwan Hung being the executive directors and Mr. Lo Wai Ming, Mr. Chung Kam Kwong and Mr. Lo Chao Ming being the independent non-executive directors.*