



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)

2005/06 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 2005, as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the six months ended	
		31 December 2005 <i>HK\$'000</i> (Unaudited)	30 September 2004 <i>HK\$'000</i> (Unaudited)
Turnover	3	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		(4,819)	–
Finance costs		(15,970)	(10,711)
Share of results of associates		116	129
Gain on deemed disposal of a subsidiary	7	19,576	–
Profit before taxation	4	33,722	29,063
Taxation	5	(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

* for identification only

CONDENSED CONSOLIDATED BALANCE SHEET

	31.12.2005 <i>HK\$'000</i> (Unaudited)	30.6.2005 <i>HK\$'000</i> (Audited) (Restated)
Non-current assets		
Property, plant and equipment	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	55,000	55,000
Deferred tax assets	20	20
	<u>626,445</u>	<u>525,817</u>
Current assets		
Inventories	288,198	304,642
Television programmes and sub-licensing rights	1,000	963
Debtors, deposits and prepayments	395,515	392,108
Bills receivable	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
	<u>1,072,619</u>	<u>894,465</u>
Current liabilities		
Creditors and accrued charges	152,100	164,187
Bills payable	58,966	9,749
Taxation	6,973	5,991
Obligations under finance leases	1,426	2,144
Borrowings	492,631	367,345
Derivative financial instruments	3,525	–
	<u>715,621</u>	<u>549,416</u>
Net current assets	<u>356,998</u>	<u>345,049</u>
Total assets less current liabilities	<u>983,443</u>	<u>870,866</u>
Non-current liabilities		
Obligations under finance leases	1,581	2,060
Deferred tax liabilities	14,901	13,576
	<u>16,482</u>	<u>15,636</u>
	<u>966,961</u>	<u>855,230</u>
Capital and reserves		
Share capital	3,924	3,924
Reserves	782,378	751,893
	<u>786,302</u>	<u>755,817</u>
Equity attributable to equity holders of the parent	786,302	755,817
Minority interests	180,659	99,413
	<u>966,961</u>	<u>855,230</u>
Total equity	<u>966,961</u>	<u>855,230</u>

Notes:

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 following new HKFRSs has resulted in changes to the Group’s accounting policies that have an effect on how the results for current or prior accounting periods are prepared and presented.

HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment

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. 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				For the six months ended 30 September 2004			
	Turnover			Profit/(loss) before taxation	Turnover			Profit/(loss) before taxation
External sales	Inter- segment sales	Total	External sales		Inter- segment sales	Total		
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			For the six months ended 30 September 2004		
	Turnover			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

4. PROFIT BEFORE TAXATION

	For the six months ended	
	31 December 2005	30 September 2004
	HK\$'000	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

5. TAXATION

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

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.

6. 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.

7. 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.

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	30 September 2004 HK\$'000
Profit for the period attributable to equity holders of the parent	<u>22,509</u>	<u>20,269</u>
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>392,364,362</u>	<u>301,007,149</u>

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Due to the change of the Group’s financial year end date from 31 March to 30 June in 2004, the results for the period should not be compared directly with the interim results from 1 April 2004 to 30 September 2004.

For the six months ended 31 December 2005 (the “period under review”), the Group recorded a total turnover of approximately HK\$1,049,299,000, representing an increase of approximately 26.8% compared with HK\$827,725,000 for interim results last year. The increase in the turnovers from Asia Pacific and American regions contributed to the growth in the Group’s turnovers. The Group’s profit margins increased HK\$13,955,000 to HK\$92,842,000, compared with HK\$78,887,000 recorded for the interim results last year. Profit attributable to equity holders of the parent was approximately HK\$22,509,000, compared with HK\$20,269,000 last year. Earnings per share for the period were approximately HK5.74 cents, compared with HK6.73 cents last year.

Business Review

During the period under review, the Group adhered to its established strategies and development plans detailed as follows:

In terms of business breakdown, cable and wire business recorded a turnover of approximately HK\$315,568,000 during the period under review, representing a decrease of approximately 11% over HK\$354,639,000 for the interim results last year; copper rod business recorded a turnover of approximately HK\$582,647,000 during the period under review, representing an increase of approximately 52.7% over HK\$381,566,000 last year; connectors and terminals recorded a turnover of approximately HK\$70,278,000 during the period under review, representing an increase of approximately 9.1% over HK\$64,394,000 of the corresponding period last year.

In terms of geographical breakdown, turnovers from the Mainland China and Hong Kong businesses were increased to approximately HK\$803,000,000, contributing approximately 76.5% to the Group's turnover. Turnover from the American business increased approximately 16% to HK\$137,586,000, accounting for approximately 13.1% of the Group's turnover. Turnovers from other markets in Asia were approximately HK\$74,589,000, representing approximately 7.1% of the Group's turnovers, while turnover from the European market doubled to approximately HK\$34,122,000, representing approximately 3.3% of the Group's turnover.

Cable and wire products

For the cable and wire business, the peak season extends from April to September each year. After the change of financial year end date to 30 June, its low season October to December falls within the period under review, in which the Group's turnover recorded a decline of approximately 11%. During the period under review, cable and wire business accounted for approximately 30% of the Group's turnover.

During the period under review, the significant increase in labour costs in China and the continuous surge in product prices of cable and wire products in line with the ever increasing raw material and oil prices resulted in the challenging operating environment which created a lingering impact on the profit margins of cable and wire business. To the bright side, the Group has gradually managed to transfer the soaring costs to customers at a later time during the period under review. The Group believes that, being the world factory and a WTO member, the continuous growth of manufacturing business in Mainland China will be further enhanced and Yangtze riverside regions will be emerged as the preferred base for the development of Eastern China and overseas markets. Given the strengthening customer base, the Group made the following arrangements in 2005:

1. *Kunshan Chau's Electrical Co. Ltd. ("Kunshan Chau's Electrical")*
Focusing on the increasing importance of Yangtze River Delta region in China, the Group established Kunshan Chau's Electrical in Kunshan. With a site area of 43,000 sq.m., the factory is expected to put into full operation in May 2006 and produce approximately 84,000,000 sets of cable and wire products of different specifications each year. Based on the current price, its annual production value will reach HK\$300,000,000, fulfilling demands from customers in Eastern and Northern China regions as well as serving as the strategic deployment of increasing the economic scales of the Group's production.
2. *Fund Resources Electric Industry Co. Ltd (Shang Hang) ("Fund Resources")*
The current demand for products such as cables, wires and plugs in China's Fujian region is extremely enormous. The monthly demand is estimated to be over RMB1 billion. In view of this, the Group planned to establish Fund Resources in Shang Hang county of Fujian province, China during the second half of 2005. With a site area of approximately 5,000 sq.m., the factory, the capacity of which amounts to approximately 36,500,000 sets of cable and wire products of different specifications each year, commenced trial production in December 2005. Benefiting from the rich copper mine resources in Shang Hang county, the Group is in a favorable position to stabilise product prices or enhance its pricing competitiveness.

In addition to the above arrangements, the Group further reduced operation costs and optimised logistics management to enhance cost effectiveness, particularly the consolidation shipments in the Group's primary shipping port, Yantian Port, China, during the period under review.

Copper rod products

The Group's copper rod business is operated through its listed subsidiary Hua Yi Copper Holdings Limited, which is principally engaged in manufacturing and trading of copper rods, copper wires, enameled copper wires and tin-coating copper wires of different diameters for the production of household appliance wires.

During the period under review, the turnover of copper rod business recorded a significant growth of approximately 52.7% over the interim results last year, accounting for approximately 55.5% of the Group's total turnovers.

With the unrivalled American-imported production facilities and production management of high standard, the existing equipments are able to support 50% or more growth in business volume. At the same time, the newly invested Hua Yi factory in Kunshan city, Jiangsu province, China will commence operation shortly to develop downstream high value added products and increase income. The continuous high copper price also slightly affected the finance costs of Hua Yi Copper.

In addition, leveraging on the favourable condition of the surging in domestic and overseas copper prices, together with its effort to keep abreast of the development of both the domestic and overseas copper market, the Group has concluded/increased investment in the following subsidiaries in 2005:

1. *Kunshan Hua Yi Copper Products Co. Ltd. (“Kunshan Hua Yi”)*

In view of the increasing demands on copper raw materials and related products, as well as the growing importance of the Yangtze River Delta region, the construction of Kunshan Hua Yi at Jiangsu Province, China has been substantially completed and the operation is expected to commence in early April 2006. With a annual output of 10,000 tonnes of copper wires of various specifications, the factory, with a site area of 38,000 sq.m., will be principally engaged in the production of high value-added downstream copper wire products such as annealed copper wires, tin-coated copper wires, stranded copper wires and enameled copper wires. Based on the current copper prices, its annual production value will be over RMB500,000,000.

2. 東莞華聯銅業有限公司 (“東莞華聯”)
靖江長凌銅業有限公司 (“靖江長凌”)

The use of recycled copper (callback of scrap copper) as raw materials has long been encouraged and supported by the state government and various government authorities. The use of recycling technology may preserve mineral resources and alleviate environmental pollution, thus, the industry is regarded as “smokeless metallurgical industry”. The project has been approved to import and use waste motors and electrical wires and cables by the State Office of Electricity (國家電辦) legitimately so as to meet production requirements.

靖江長凌 with a site area of 10,740 sq.m., the trial operation of the factory in 靖江長凌 is expected to commence in early April 2006. 靖江長凌 is able to produce 48,000 tonnes of copper rods per annum upon full operation. 東莞華聯 with a site area of 4,320 sq.m. is expected to commence operations in April this year. Leveraging on its annual production capacity of approximately 30,000 tonnes of copper rod products, the factory will mainly produce copper rods with specifications of 2.6mm, 3mm and 8mm, which are the key materials for industries, such as telecommunication cable industry and electrical cable industry. Given the further development of infrastructure for the implementation of west exploitation strategy, there is huge room for development in the market. In addition, the production of 8mm copper rods will increase the supply of its own copper raw materials of the Group in a stable and moderate manner. Besides, this project also involved integrated utilization of resources and environment protection, and is currently an advanced technology in the PRC.

3. *Fujian Jinyi Copper Products Co. Ltd. (“Fujian Jinyi”)*

On 8 September 2005, the Group has agreed with the subsidiary and the ultimate controlling company of Zijin Mining Group Co., Ltd. to establish Fujian Jinyi Copper Products Co. Ltd. at the Shang Hang County, the Fujian Province, the PRC. With a registered capital of RMB40,500,000, the Group accounted for 45% of the equity capital of Fujian Jinyi. Fujian Jinyi, with a site area of 12,000 sq.m., will be principally engaged in the production and trading of copper pipes at the Shang Hang County, the Fujian Province. It is expected to commence operation in January 2007. Benefitted from the rich resources from the copper mine in the Shang Hang County, the Fujian Province, Fujian Jinyi enjoys lower production cost, creating the price competitiveness among the peers.

Connectors and terminals/wire harnesses

Connectors and terminals/wire harnesses are the primary ancillary products for manufacturing industries such as household appliances and office equipments. Turnover jumped from initially HK\$9,000,000 each year to the six months figure of HK\$70,000,000 currently. The performance was encouraging. Despite the fact that the connectors and terminals only account for 6.7% of the Group’s turnover at this stage, their contribution to the Group has been increasing over the years, signifying an important direction for the Group’s future business development. The Group is progressively strengthening its existing business as well as developing high value added products to diversify its business and create additional income sources. Along with the leaping economy,

the automobile market in Mainland China enjoyed robust development, which is expected to drive the market demand on premium automobile electronic components. The Group is planning to tap into this huge market.

The Group is also planning the construction of a new factory with a site area of approximately 1,650 sq.m. in Bangkok, Thailand. It is expected to commence full production in April 2006 with an annual production of approximately 45,600,000 sets of connectors and terminals / wire harnesses.

Life-like plant

The turnover of the Group's acquired life-like plant business amounted to approximately HK\$69,722,000 during the period under review and a moderate profit in the segment was recorded. This was contributed to the aggressive cost reduction measures adopted by the Group since its takeover and the implementation of more effective, high performing production model, resulting in the significant reduction in production and administrative expenses.

Prospects

Cable and wire products are indispensable in our basic life. Although the difficult operating environment led to a more competitive industry, customers demanded shorter lead time and lower pricing. The Group will 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 and improve the gearing ratio through internal generated funds to enhance the Group's profitability. To better prepare for the forthcoming challenges, the Group will further strengthen its established management by upgrading its existing enterprise resources planning system and inventory management to enhance its internal controls.

The Group's operating effectiveness has been upgrading since the implementation of structural reorganisation, which will complement its strategy to continuously strengthen its core cable and wire business. Beside, the Group still intend to improve the production capability of cable and wire to satisfy the demand of producing environmental friendly high end products with high technologies.

Looking forward, the Group will continue to develop its core business and increase its understanding on the markets to ensure its products can meet with the market requirement. Customers across Greater China regions, Europe and America are equally important to the Group. The Group strives its best to balance demands among different customers. Despite the increasing competition among manufacturers in the Mainland China, the Group is confident that it will outpace its rivals with its premium quality and outstanding service. The Group will strictly adhere to the established product quality standard.

EMPLOYEES

As at 31 December 2005, the Group had approximately 5,000 employees in Hong Kong, the PRC and overseas. 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 2005, the Group had implemented a prudent financial management policy. As at 31 December 2005, the Group had cash and bank balances (including pledged bank deposits) amounted to approximately HK\$286 million (30 June 2005: HK\$189 million) and net current assets value being over approximately HK\$356 million (30 June 2005: HK\$345 million restated). The Group's gearing ratio as at 31 December 2005 was 0.63 (30 June 2005: 0.49 restated), being a ratio of total bank borrowings of approximately HK\$499 million (30 June 2005: HK\$371 million) to shareholders' funds of approximately HK\$786 million (30 June 2005: HK\$755 million restated). Net asset value per share was HK\$2.00 (30 June 2005: HK\$1.93).

As at 31 December 2005, the Group had pledged certain property, plant and machinery, land use rights, fixed deposits and trade debtors with an aggregate net book value of approximately HK\$189 million (30 June 2005: HK\$216 million restated) to secure general banking facilities granted to the Group.

As at 31 December 2005, the Company had issued guarantees to the extent of approximately HK\$280 million (30 June 2005: HK\$329 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK\$213 million (30 June 2005: HK\$207 million) was utilised. In addition, the Company has issued guarantees to a financial institute amounting to approximately HK\$39 million (30 June 2005: HK\$39 million) in respect of commodity trading of copper by its subsidiaries.

For the six months ended 31 December 2005, the Group entered into future contracts, foreign exchange forward contracts and interest rates swap contracts to manage the copper price risks, interest rate risks and foreign exchange risks. The fair value losses of the derivative financial instruments at 31 December 2005 as provided by the banks were approximately HK\$3,525,000 (1 July 2005: asset of HK\$1,294,000).

TOP-UP PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES OF HUA YI COPPER HOLDINGS LIMITED

On 4 July 2005, Skywalk Assets Management Limited (“Skywalk”), a wholly owned subsidiary of the Company, entered into the agreements to place and subscribe for new shares in Hua Yi Copper Holdings Limited (“Hua Yi Copper”), a subsidiary of the Company whose shares are listed on the The Stock Exchange of Hong Kong Limited. Pursuant to the agreements, Skywalk placed 111,000,000 ordinary shares of HK\$0.20 each in the capital of Hua Yi Copper to independent investors at a price of HK\$0.88 per share (“Top-Up Placing”) and, upon the completion of the Top-Up Placing, subscribed for 111,000,000 new ordinary shares of HK\$0.20 each in the capital of Hua Yi Copper at a price of HK\$0.88 per share (the “Subscription”). The Top-Up Placing and the Subscription were completed on 7 July 2005 and 18 July 2005 respectively.

Prior to the Top-Up Placing and the Subscription, Skywalk had held 397,121,875 shares in Hua Yi Copper, representing approximately 71.49% of the issued share capital of Hua Yi Copper. Upon completion of the Top-Up Placing and the Subscription, Skywalk held 397,121,875 shares in Hua Yi Copper, representing 59.59% of the enlarged issued share capital of Hua Yi Copper.

FORMATION OF A JOINT VENTURE COMPANY FOR THE PRODUCTION OF COPPER PIPE PRODUCTS

On 8 September 2005, Hua Yi Copper 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. The JV is named “Fujian Jinyi Copper Products Company Limited”. Pursuant to the agreement, the registered capital of the JV is RMB40.5 million, of which RMB18.2 million, representing a 45% equity interest in the JV, has to be contributed by Hua Yi Copper. In November 2005, Hua Yi Copper contributed RMB5.4 million in cash. The details of the formation of the JV were set out in the circular dated and despatched to the shareholders of the Company on 17 November 2005.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 31 December 2005.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 31 December 2005, 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 has not been separation between the roles of the chairman and chief executive officer.

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 interest of the Group to have Mr. Chau remained 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.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors’ securities transactions. The Company has confirmed with all directors that they had complied with the required standard set out in the Model Code throughout the six months ended 31 December 2005.

AUDIT COMMITTEE

The Company has revised the term of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee comprises the three independent non-executive directors of the Company. The unaudited interim results for the six months ended 31 December 2005 have been reviewed by the Audit Committee and external auditors.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information on the Company's interim results required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

On behalf of the Board

Chau Lai Him

Chairman and Managing Director

Hong Kong SAR, 24 March 2006

As at the date of this announcement, the executive Directors are Mr. Chau Lai Him, Mr. Zhou Jin Hua, Mr. Lau Man Tak, Mr. Liu Jin Rong and the independent non-executive Directors are Mr. Lo Kao Cheng, Mr. Lo Wai Ming and Mr. Chung Kam Kwong.

“Please also refer to the published version of this announcement in The Standard.”