



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)

2006/07 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 2006, as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended	
		31 December 2006 HK\$'000 (Unaudited)	31 December 2005 HK\$'000 (Unaudited)
Turnover	3	1,734,201	1,049,299
Cost of sales		(1,597,335)	(956,457)
Gross profit		136,866	92,842
Other income		11,627	10,261
Interest income		10,794	4,063
General and administrative expenses		(82,506)	(60,024)
Selling and distribution expenses		(16,635)	(12,323)
Change in fair value of derivative financial instruments		(1,300)	(4,819)
Change in fair value of conversion option of convertible notes		10,213	–
Finance costs		(30,987)	(15,970)
Share of results of associates		128	116
Share of result of a jointly controlled entity		(42)	–
Discount acquisition of additional interests in subsidiaries		4,581	–
(Loss) gain on deemed disposal of a listed subsidiary		(456)	19,576
Profit before taxation	4	42,283	33,722
Taxation	5	(3,389)	(2,141)
Profit for the period		38,894	31,581
Attributable to:			
Equity holders of the parent		33,559	22,509
Minority interests		5,335	9,072
		38,894	31,581
Dividends paid	6	19,314	–
Earnings per share			
– basic	7	6.91 cents	5.74 cents
– diluted	7	4.49 cents	5.74 cents

* for identification only

CONDENSED CONSOLIDATED BALANCE SHEET

	31.12.2006 <i>HK\$'000</i> (Unaudited)	30.6.2006 <i>HK\$'000</i> (Audited)
Non-current assets		
Property, plant and equipment	509,362	412,049
Prepaid lease payments for land-non-current portion	96,508	92,149
Prepayment for acquisition of property, plant and equipment	148,399	151,519
Deferred tax assets	4,758	–
Interests in associates	10,922	10,509
Interests in jointly controlled entities	17,914	17,485
Goodwill	23,776	–
	<u>811,639</u>	<u>683,711</u>
Current assets		
Inventories	383,010	370,795
Television programmes and sub-licensing rights	423	423
Debtors, deposits and prepayments	568,644	539,393
Bills receivable	69,588	34,717
Prepaid lease payments for land-current portion	1,988	2,173
Derivative financial assets	29,625	6,063
Notes receivable	55,000	55,000
Tax recoverable	1,697	1,249
Pledged deposits	59,977	67,180
Bank balances and cash	363,423	358,508
	<u>1,533,375</u>	<u>1,435,501</u>
Current liabilities		
Creditors and accrued charges	237,469	218,772
Bills payable	122,437	89,311
Taxation	10,688	11,447
Obligations under finance leases	1,765	1,030
Bank overdrafts	193	280
Borrowings	664,764	543,105
Derivative financial liabilities	20,537	1,478
Conversion option of convertible notes	2,279	12,492
	<u>1,060,132</u>	<u>877,915</u>
Net current assets	<u>473,243</u>	<u>557,586</u>
Total assets less current liabilities	<u>1,284,882</u>	<u>1,241,297</u>
Non-current liabilities		
Convertible notes – debt component	69,031	66,068
Obligations under finance leases	3,000	1,649
Deferred consideration	16,203	–
Deferred tax liabilities	20,217	19,974
	<u>108,451</u>	<u>87,691</u>
	<u>1,176,431</u>	<u>1,153,606</u>
Capital and reserves		
Share capital	4,867	4,851
Reserves	968,859	936,240
Equity attributable to equity holders of parent	973,726	941,091
Share option reserve of listed subsidiary	4,503	3,565
Minority interests	198,202	208,950
	<u>1,176,431</u>	<u>1,153,606</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

Attributable to equity holders of the parent

	Share capital HK\$'000	Share premium 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	Share option reserve of listed subsidiary HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 July 2005	3,924	71,253	4,474	(15,936)	587,012	92,526	4,020	747,273	-	98,560	845,833
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	-	-	-	-	-	-	-	-	-	73,008	73,008
At 31 December 2005	3,924	71,253	4,474	(10,107)	587,012	115,035	4,020	775,611	-	180,659	956,270
At 1 July 2006	4,851	160,200	4,474	(4,281)	587,012	187,052	1,783	941,091	3,565	208,950	1,153,606
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	18,056	-	-	-	18,056	-	-	18,056
Profit for the period	-	-	-	-	-	33,559	-	33,559	-	5,335	38,894
Total recognised income for the period	-	-	-	18,056	-	33,559	-	51,615	-	5,335	56,950
Repurchase of shares	(9)	(912)	-	-	-	-	-	(921)	-	-	(921)
Issue of shares upon exercise of share options	25	575	-	-	-	-	-	600	-	-	600
Transfer upon exercise of share options	-	-	-	-	-	315	(153)	162	(162)	-	-
Recognition of equity-settled share based payments	-	-	-	-	-	-	493	493	1,100	-	1,593
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	(10,539)	(10,539)
Increase in minority interests arising from deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	-	1,143	1,143
Dividends paid	-	-	-	-	-	(19,314)	-	(19,314)	-	-	(19,314)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	(6,687)	(6,687)
At 31 December 2006	4,867	159,863	4,474	13,775	587,012	201,612	2,123	973,726	4,503	198,202	1,176,431

NOTES

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, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed 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 2006. In addition, the Group has applied the following accounting policy for acquisition of additional interests in subsidiaries during the current interim period:

Acquisition of additional interests in subsidiaries is recorded at the book value of the net assets attributable to the interests. The excess of the carrying amounts of net assets attributable to the interests over the cost of acquisition is recognised as discount on acquisition.

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 either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006, 1 March, 2006, 1 May 2006 and 1 June 2006. The adoption of these new HKFRSs has had no material effect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company is still not yet in the position to reasonably estimate the impact that may arise on the Group’s results and financial position from the application of these standard, amendment or interpretations.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ⁴
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment ²
HK(IFRIC) – INT 11	HKFRS 2: Group and Treasury Share Transactions ³
HK(IFRIC) – INT 12	Service Concession Arrangements ⁵

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 November 2006.

³ Effective for annual periods beginning on or after 1 March 2007.

⁴ Effective for annual periods beginning on or after 1 January 2009.

⁵ Effective for annual periods beginning on or after 1 January 2008.

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 2006 and 2005, analysed by product categories, are as follows:

	For the six months ended 31 December							
	2006			2005				
	Turnover			Turnover				
	External sales	Inter-segment sales	Total	Profit before taxation	External sales	Inter-segment sales	Total	Profit before taxation
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cables and wires	395,693	11,993	407,686	17,408	315,568	7,700	323,268	(11,476)
Copper products	977,745	165,632	1,143,377	30,646	582,647	95,114	677,761	35,228
Connectors and terminals	282,547	236	282,783	8,009	70,278	414	70,692	5,763
Life like plants	61,964	–	61,964	7,698	69,722	–	69,722	120
Others	16,252	–	16,252	2,056	11,084	–	11,084	137
	1,734,201	177,861	1,912,062	65,817	1,049,299	103,228	1,152,527	29,772
Elimination	–	(177,861)	(177,861)	–	–	(103,228)	(103,228)	–
	<u>1,734,201</u>	<u>–</u>	<u>1,734,201</u>		<u>1,049,299</u>	<u>–</u>	<u>1,049,299</u>	
Unallocated corporate income				11,539				6,785
Unallocated corporate expenses				(17,210)				(6,557)
Change in fair value of derivative financial instruments				(1,300)				–
Change in fair value of conversion option of convertible notes				10,213				–
Finance costs				(30,987)				(15,970)
Share of results of associates				128				116
Share of result of a jointly controlled entity				(42)				–
Discount on acquisition of subsidiaries				4,581				–
(Loss) gain on deemed disposal of a listed subsidiary				(456)				19,576
Profit before taxation				<u>42,283</u>				<u>33,722</u>

The Group's turnover for the six months ended 31 December 2006 and 2005, analysed by geographical market, is as follows:

	For the six months ended 31 December					
	2006			2005		
	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	1,211,350	166,420	1,377,770	765,570	95,528	861,098
Americas	338,757	259	339,016	137,586	–	137,586
Europe	22,376	–	22,376	34,122	–	34,122
Hong Kong	55,801	–	55,801	37,432	–	37,432
Other Asian regions	105,917	11,182	117,099	74,589	7,700	82,289
	1,734,201	177,861	1,912,062	1,049,299	103,228	1,152,527
Elimination	–	(177,861)	(177,861)	–	(103,228)	(103,228)
	<u>1,734,201</u>	<u>–</u>	<u>1,734,201</u>	<u>1,049,299</u>	<u>–</u>	<u>1,049,299</u>

4. PROFIT BEFORE TAXATION

	For the six months ended 31 December 2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>

Profit before taxation has been arrived at after charging:

Depreciation of property, plant and equipment	22,399	17,375
Charge of prepaid lease premium for land	1,136	1,005
Loss on disposal of property, plant and equipment	(1,415)	–
Share-based payment expense	1,593	–
	–	–

5. TAXATION

	For the six months ended 31 December 2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>

Hong Kong Profits Tax	2,131	330
Taxation in other jurisdictions	1,879	486
Deferred tax	(621)	1,325
	3,389	2,141

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

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

6. DIVIDENDS PAID

	For the six months ended 31 December 2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>

Final dividend in respect of 2005/2006 at HK\$0.04 per share (2004/2005: Nil)	19,314	–
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The directors have resolved to declare the payment of an interim dividend of HK2 cents per ordinary share for the year ending 30 June 2007.

7. EARNINGS PER SHARE

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

	For the six months ended 31 December 2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>

Results for the period attributable to equity owners of parents for the purpose of basic earnings per share	33,559	22,509
Effect of dilutive potential ordinary shares of Hua Yi	(80)	–
Imputed interest on convertible notes	2,963	–
Change in fair value of conversion option of convertible notes	(10,213)	–
	26,229	22,509

Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	485,349,253	392,364,362
Effect of dilutive potential ordinary shares:		
Share options	28,174,054	–
Convertible notes	70,545,455	–
	584,068,762	392,364,362

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Directors are pleased to announce that, for the six months ended 31 December 2006 (the “period under review”), the Company and its subsidiaries (“the Group”) recorded a total turnover of HK\$1,734,201,000, 65.3% more than the HK\$1,049,299,000 for the same period last year. Profit attributable to shareholders was HK\$33,559,000, a 49.1% increase when compared to HK\$22,509,000 for the same period last year. Basic earnings per share for the period under review were HK6.91 cents (2005/06 interim: HK5.74 cents).

The Directors have resolved to declare an interim dividend of HK2 cents per ordinary share (2005/06 interim: Nil) for the year ending 30 June 2007 to those shareholders whose names appear on the register of members on 9 May 2007. The interim dividend will be paid on or about 23 May 2007.

Business Review

With all its new plants completed and commenced operation to meet demands of customers in different regions, the Group continued its business development pace as planned. Progress in each area is presented as follows:

By business segment, the Group’s cable and wire business reported turnover of HK\$395,693,000 during the period under review, accounting for 22.8% of the Group’s total turnover. During the period under review, Brascabos Componentes Elétricos e Eletrônicos Ltda. (“Brascabos”), previously an indirect subsidiary of Whirlpool acquired 100% by the Group in July 2006, drove the growth of the Group’s connectors and terminals/wire harnesses business. The segment’s turnover amounted to HK\$282,547,000 and accounted for 16.3% of the Group total. Sales of copper rod products was approximately HK\$977,745,000, representing about 56.3% of the Group’s total turnover.

By market, the turnover from Mainland China and Hong Kong grew by 57.8% to HK\$1,267,151,000 when compared with the same period last year, accounting for 73.1% of the Group’s total turnover. As for the North America market, it recorded turnover of HK\$134,752,000, 2.1% less than in the same period last year, accounting for 7.8% of the Group’s total turnover. The Group has expanded its market to South America during the period under review and the new market recorded turnover of HK\$204,005,000, accounting for 11.8% of the Group’s total turnover. Asia market reported turnover growth of 42% to HK\$105,917,000, accounting for 6.1% of the Group’s total turnover. Europe market’s turnover decreased by 34.4% to HK\$22,376,000, accounting for 1.3% of the Group’s total turnover.

Cable and Wire

The Group’s two new plants in Shang Hang county, Fujian province and Kunshan, which began operation in February and September 2006 respectively, have strengthened its core cable and wire business by capturing the increasing opportunities presented by the growing manufacturing sector in China. The Group has been able to secure new customers to build a more solid customer base and, with the industry consolidating and ousting smaller players, its market share has grown. During the period under review, the segment’s turnover increased by 25.4% against last year to HK\$395,693,000. With the prices of plastic and metal materials coming down and the Group landing certain high margin orders during the period under review, the sector’s results improved notably. It made profit (before taxation and finance costs) of HK\$17,408,000 during the period under review versus loss (before taxation and finance cost) of HK\$11,476,000 in the last corresponding period.

Furthermore, in May 2006, the Group signed a Memorandum of Understanding with a company to acquire its electric wire production lines located in Europe and China. Review of the deal was completed with due diligence in November 2006 and the Group is considering the specific conditions for the possible acquisition with the vendor.

Connectors and Terminals/Wire Harnesses

The Group achieved major progress in expanding this segment during the period under review. Sales of connectors and terminals/wire harnesses products used in home appliances and office equipment boosted turnover in this sector to HK\$282,547,000, 302% more than in the same period last year. Brascabos, being acquired 100% by the Group in July 2006, also began to contribute turnover and profit in the amount of HK\$204,005,000 and HK\$6,775,000 respectively. The Group is pleased with the encouraging performance of Brascabos. Being a leading wire and automobile harness manufacturer in Brazil, Brascabos used to supply its products mainly to Whirlpool. Since Brascabos became its subsidiary, the Group has ridden on its widespread network to expand Brascabos’ customer base. The Group is currently negotiating with some of its existing international clients about supplying products to their plants in South America. Any successful negotiations will boost Brascabos’ profitability and contribution to the Group.

At the same time, through the strategic acquisition of Brascabos, the Group has entered the automotive harness market. Building on Brascabos' extensive experience and advanced technology, the Group will be able to develop its automotive harness markets in Latin America and other regions and explore potential business opportunities in those markets.

The Group is actively pursuing the automotive harness business in China. In February 2007, a Memorandum of Understanding has been entered with Beijing Force Automotive Wire Co. Ltd. ("Beijing Force") wherein the two companies conditionally agreed to form a joint venture to produce and sell automobile harnesses products. Based in northern China, Beijing Force is one of the largest manufacturer of automotive wires and cables in Mainland China. Currently, it supplies products to various world-renowned automakers. Beijing Force's strong experience in producing automotive parts and components and clientele together with Brascabos' expertise and advanced technology in producing automotive harness have equipped the Group with competitive advantages in the automotive harness market in the PRC.

Copper Rod

The Group's copper rod business is run by its listed subsidiary Hua Yi Copper Holdings Limited ("Hua Yi Copper"), a specialist in manufacturing and selling copper rods and copper wires products for making cables and wires used in home electrical appliances and electronic products. The booming Chinese economy and the country's growing scale as the "World Factory" have rocketed demand for copper products. In addition to Hua Yi Copper's corresponding effort to expand its customer network have braced the healthy growth of the copper rod and related businesses. During the period under review, the segment's turnover amounted to HK\$977,745,000, an increase of 67.8% over of the HK\$582,647,000 in the same period last year. After construction of its downstream production base in Kunshan was completed last year, Hua Yi Copper was able to gradually increase sales of high value-added downstream products. High value-added downstream products accounted for approximately 40% of its total turnover for the period under review.

During the period under review, the copper stocks of the two major metal futures exchanges of the world, namely the London Metal Exchange ("LME") and the New York Commodities Exchange rebounded. As a result, the average cash settlement price of LME copper price came down gradually from June 2006 to February 2007 and zig-zagged between US\$5,600 and US\$7,500 per tonne. During the period under review, the average cash settlement price of LME copper was approximately US\$7,369 per tonne, 8% lower against US\$8,046 per tonne for May 2006. Yet, LME copper price was still 83% higher compared with US\$4,029 per tonne for the same period last year. Trade-related finance costs of the Group thus rose and affected its profitability.

Nevertheless, as Hua Yi Copper uses letters of credit and trust receipt loans to settle copper cathodes purchases for Hua Yi Copper's copper rods manufacturing and trading business, the lower copper price in the period under review, compared with the copper price in May and June 2006, had helped to alleviate finance cost pressure. That favoured growth of the business. During the period under review, Hua Yi Copper's Dongguan plant achieved an average utilization rate of approximately 60% for products manufactured for and sold by Hua Yi Copper. The remaining 40% capacity was consumed by copper rod processing service orders from other manufacturers.

In the past two years, Hua Yi Copper had strived to expand production scale to satisfy the huge demand for copper products as well as to support business development. Currently, in addition to the production facilities located in Dongguan of Guangdong Province, Hua Yi Copper has set up two new production plants under the Kunshan Hua Yi Copper Products Co. Ltd. ("Kunshan Hua Yi") in Jiangsu Province and Fujian Jinyi Copper Products Co. Ltd. ("Fujian Jinyi"), a joint venture with Zijin Mining Group Co., Ltd. ("Zijin Mining"), in Shang Hang County of Fujian Province. Besides, Hua Yi Copper also runs two copper recycling plants in Dongguan and Jingjiang respectively so as to develop copper recycling business. As at 31 December 2006, Hua Yi Copper could produce up to approximately 76,000 tonnes of copper rods and copper wires a year. When all the new factories are fully operational, Hua Yi Copper's total annual production capacity will increase to 164,000 tonnes, which will be sufficient to support its development needs.

Kunshan Hua Yi

The factory of Kunshan Hua Yi, which commenced operation in late July 2006, manufactures mainly high value-added downstream products including annealed copper wires, tin-coated copper wires, stranded copper wires and enameled copper wires and has a designed output capacity of 10,000 tonnes per annum. The Yangtze River Delta Region is today a major manufacturing base for many local and international enterprises. Hua Yi Copper expects continual orders from manufacturers of electrical appliances, electronic products and wires in the region, thus assuring stable growth of its business.

Fujian Jinyi

In 2005, Hua Yi Copper signed an agreement with Zijin Mining to establish Fujian Jinyi in Shang Hang County, Fujian Province. The joint venture company, 45% held by Hua Yi Copper will mainly manufacture and distribute copper pipes in the region. Construction of factory was completed in late 2006. It is in the process of testing and adjusting the machinery. When fully operational, the factory will have an annual production capacity of around 10,000 tonnes of copper pipes for use in refrigerators and air-conditioners. As Shang Hang County has rich copper mine resources, Fujian Jinyi is set to enjoy lower production costs and higher price competitiveness than its peers.

Copper Recycling Business

Hua Yi Copper's copper recycling plant in Changling, Jingjiang (“靖江長凌銅業有限公司”) commenced commercial production in late August 2006. It has an annual production capacity of around 48,000 tonnes of 8 mm copper rods. As for the copper recycling plant in Dongguang, installation of machinery was completed last September. The factory has an annual production capacity of approximately 30,000 tonnes of 2.6 mm, 3 mm and 8 mm copper rods. With copper prices kept on dropping during the period under review, so did the price of scrap copper. The whole scrap copper recycling industry was accordingly retarded, which led to a decline in supply of scrap copper. With limited raw material supply development of Hua Yi Copper's copper recycling business slowed down.

Life-like plant and other businesses

Turnover from life-like plants and other businesses amounted to HK\$61,964,000 and HK\$16,252,000 respectively. The Group is seeking to divest these operations so as to focus recourses on its core business.

Prospects

Driven by the continuous advancement of technologies for producing home electrical and electronic appliances, the new and replacement demands of those products have grown steadily in the globe. As a supplier of components of white goods for world-renowned brands, the Group expects consistent demands for its cable and wire products from the market. The Group will actively develop its connectors and terminals and wire harness businesses that pose higher margins. The Group expects them to remain as another major growth factor.

Through the acquisition of Brascabos and signing of the joint venture Memorandum of Understanding with Beijing Force, the Group is navigating towards the high margin automotive harness market. Brazil is the ninth largest automobile producer in the world, thus rendering the Group with great potential in this business sector. The automobile market in China is also expanding rapidly. According to the China Association of Automobile Manufacturers, total vehicle sales in Mainland China surged 25.1% in 2006 when compared with 2005, and about 15% growth has been predicted for 2007. Many major multinational automobile manufacturers have already entered the PRC market but the technology used in the country to produce automotive parts and components generally falls below the desired standard. The Group, armed with Brascabos' proven expertise and the potential joint venture's huge international clientele, will advance into the automotive harness market in the PRC. Furthermore, the Group is also running a connectors and terminals/wire harness production plant in Bangkok, Thailand, a country known as the “Detroit in the Orient” with a booming automobile industry. The Group is actively exploring opportunities for expanding its automotive harness business in Thailand as well.

Looking to the future, running a solidly founded core cable and wire business and dedicated also to expanding in the automotive parts and components market with promising higher margins, the Group will strive to grow its business worldwide and increase its shares in different markets, for the primary mission of generating the best returns for shareholders.

PROPOSED ACQUISITION

On 4 May 2006, the Company entered into a memorandum of understanding with an independent third party (the “seller”) to continue negotiation regarding the proposed acquisition by the Company of various entities which are involved in the cords manufacturing and sales business with manufacturing facilities located in Europe and the People's Republic of China. On 29 November 2006, the Company announced that it has completed its due diligence review of the target business and is continuing its negotiations with the seller regarding the terms of the possible acquisition.

ACQUISITION OF BRASCABOS

On 30 May 2006, the Company entered into the Quota Purchase Agreement with Whirlpool S.A. and Brasmotor, for the acquisition (the “Acquisition”) of their 100% interest in Brascabos Componentes Elétricos e Eletrônicos Ltda. (“Brascabos”) 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). Brascabos is one of the leading manufacturer of power cords and wire harness for white goods (large electrical home appliances) and automotive parts in Brazil. The Acquisition constituted a major transaction for the Company under the Listing Rules and was subject to the approval of Shareholders of the Company. At the special general meeting held on 24 July 2006, Shareholders approved the Acquisition. The Acquisition had been completed and its completion was announced by the Company in an announcement dated 2 August 2006. The details of the Acquisition were set out in the circular dated 26 June 2006.

POST BALANCE SHEET EVENT

Possible Investment

On 16 February 2007, the Company and 北京福斯汽車電線有限公司 (Beijing Force Automotive Wire Co. Ltd.) entered into a memorandum of understanding (“MOU”), pursuant to which the parties have agreed conditionally to the establishment of a joint venture company in the People’s Republic of China to engage in the manufacturing and sales of automotive harness and cables. The formation of the joint venture company is subject to various conditions and the entering into of definitive legally binding documentation. However, the memorandum of understanding constitutes the legally binding obligation on the parties not to negotiate with other third parties in relation to the establishment of any business entity (or other arrangement) which is engaged in a business which is identical or similar to the business of the joint venture company within a period of five months from the date of the memorandum of understanding. The terms set out in the memorandum of understanding are not definitive and are subject to further negotiations between the parties. The details of the material terms of the MOU were set out in the announcement dated 21 February 2007. Further announcement containing details of the proposed joint venture will be made in accordance with the Listing Rules if and when the Company proceeds with the establishment of the proposed joint venture.

INTERIM DIVIDEND

The Directors has declared an interim dividend of HK2 cents per ordinary share (31 December 2005: nil) in respect of the financial year ending 30 June 2007. The interim dividend will be paid on or about 23 May 2007 to those shareholders as registered at the close of business on 9 May 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 10 May 2007 to Friday, 11 May 2007, both days inclusive, during which no transfer of shares of the Company will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrar in Hong Kong, Secretaries Limited, at 26th Floor, Tesbury Centre, 8 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 9 May 2007.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2006, the Group had approximately 6,500 employees in Hong Kong, the PRC and overseas. Remuneration policies are 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 2006, the Group had implemented a prudent financial management policy. As at 31 December 2006, the Group had cash and bank balances (including pledged bank deposits) amounted to approximately HK\$423 million (30 June 2006: HK\$426 million) and net current assets value being over approximately HK\$473 million (30 June 2006: HK\$558 million restated). The Group’s gearing ratio as at 31 December 2006 was 0.69 (30 June 2006: 0.58), being a ratio of total bank borrowings of approximately HK\$670 million (30 June 2006: HK\$543 million) to shareholders’ funds of approximately HK\$974 million (30 June 2006: HK\$941 million).

The fair value of the convertible notes as at 31 December 2006 was HK\$71 million (30 June 2006: HK\$78 million). During the six months ended 31 December 2006, none of the investors converted the convertible notes. The conversion options at 31 December 2006 were fair valued by the professional valuer and the change in the fair value of the embedded derivatives during the period of HK\$10,213,000 was credited to the consolidated income statement.

As at 31 December 2006, 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\$237 million (30 June 2006: HK\$196 million) to secure general banking facilities granted to the Group.

As at 31 December 2006, the Company had issued guarantees to the extent of approximately HK\$739 million (30 June 2006: HK\$701 million) to banks to secure general banking facilities granted to its subsidiaries, of which, approximately HK\$578 million (30 June 2006: HK\$591 million) was utilised. In addition, the Company has issued guarantees to a financial institute amounting to approximately HK\$39 million (30 June 2006: HK\$39 million) in respect of commodity trading of copper by its subsidiaries.

For the six months ended 31 December 2006, the Group entered into copper forward contracts, foreign exchange forward contracts and interest rates swap contracts (collectively referred as “derivative financial instruments” thereafter) 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 was effective from 1 January 2006. Therefore, the outstanding derivative financial instruments have to be 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 focused on the unpredictability of the financial markets, controlled the level of financial risks the Group can bear and minimised any potential adverse effects on the financial performance of the Group. The purpose of which is to ensure that transactions undertaken are in accordance with the Group's policies and not for speculative purpose. The net fair value of the derivative financial instruments at 31 December 2006 were approximately HK\$9,088,000 (30 June 2006: of HK\$4,585,000). The change in fair value of HK\$1,300,000 (30 June 2006: HK\$4,819,000) has been recognised in income statement.

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

During the six months ended 31 December 2006, the Company repurchased 910,000 ordinary shares of the Company ("Shares") on the Stock Exchange at an aggregate consideration of HK\$918,000. All of the Shares were subsequently cancelled.

Details of the repurchases are, as follows:

Month of the Repurchases	Total number of the ordinary shares repurchased	Purchase price per share		Aggregate consideration HK\$'000
		Highest price paid per share HK\$	Lowest price paid per share HK\$	
November 2006	910,000	1.01	1.00	918

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 31 December 2006, 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 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 the three independent non-executive directors of the Company. It has adopted terms of reference which are in line with the code provisions of the CG Code. The unaudited interim results for the six months ended 31 December 2006 have been reviewed by the Audit Committee and external auditors.

REMUNERATION COMMITTEE

The Remuneration Committee comprises the three independent non-executive directors of the Company. It has adopted terms of reference which are in line with the code provisions of the CG Code. The duties of the Remuneration Committee include reviewing and evaluating the remuneration packages of executive directors and senior management and making recommendations to the Board from time to time.

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 2006.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information on the Company's interim results required by 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, 23 March 2007

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 Wai Ming, Mr. Chung Kam Kwong and Mr. Lo Chao Ming.

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