SOLARTECH INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1166

Interim Report

2005/2006

CORPORATE INFORMATION

DIRECTORS

Executive Directors

CHAU Lai Him
(Chairman and Managing Director)
ZHOU Jin Hua *(Deputy Chairman)*
LAU Man Tak
LIU Jin Rong

Independent Non-Executive Directors

CHUNG Kam Kwong
LO Kao Cheng
LO Wai Ming

COMPANY SECRETARY

LAU Man Tak

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

No. 7, 2nd Floor
Kingsford Industrial Centre
13 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Secretaries Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS (in alphabetical order)

Bank of China (Hong Kong) Limited
Bank Sinopac, Hong Kong Branch
CITIC Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited
Equitable PCI Bank, Inc., Hong Kong Branch
HSH Nordbank, Hong Kong Branch
Standard Chartered Bank
(Hong Kong) Limited
The Hong Kong and Shanghai Banking
Corporation Limited
Wing Hang Bank, Limited

• (E) Solartech (IR) Folder • 00 Solartech (IR) Corporate • 1st Proof • 25th March, 2006 • *Staff 242* • iOne • IR01273

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

For the six months ended 31 December 2005

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

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2005

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

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

At 31 December 2005

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2005

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2005

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2005

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Owner-occupied leasehold interest in land

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

Financial instruments

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

Classification and measurement of financial assets and financial liabilities

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Derivatives financial instruments

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

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

Derecognition

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

Share-based payments

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN THE ACCOUNTING POLICIES (CONTINUED)

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

Consolidated balance sheet items

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

4. SEGMENT INFORMATION

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

	For the six months ended 31 December 2005 Turnover				For the six months ended 30 September 2004 Turnover			
	External sales HK$'000	Inter-segment sales HK$'000	Total HK$'000	Profit (loss) before taxation HK$'000	External sales HK$'000	Inter-segment sales HK$'000	Total HK$'000	Profit (loss) before taxation HK$'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

4. SEGMENT INFORMATION (CONTINUED)

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

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

5. PROFIT BEFORE TAXATION

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

6. TAXATION

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

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

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

7. DIVIDEND

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

8. EARNINGS PER SHARE

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

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

8. EARNINGS PER SHARE (CONTINUED)

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

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

9. PROPERTY, PLANT AND EQUIPMENT

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

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

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

10. NOTES RECEIVABLE

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

11. DEBTORS, DEPOSITS AND PREPAYMENTS

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

The aged analysis of trade debtors is as follows:

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

The directors consider the trade debtors approximate their fair values.

12. BILLS RECEIVABLE

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

The directors consider the bills receivable approximate their fair values.

13. CREDITORS AND ACCRUED CHARGES

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

The aged analysis of trade creditors is as follows:

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

14. BILLS PAYABLE

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

The directors consider the bills payable approximate the fair values.

15. BORROWINGS

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

16. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

17. SHARE CAPITAL

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

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

18. SHARE OPTIONS

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

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

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

19. DEEMED DISPOSAL OF A SUBSIDIARY

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

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$803,002,000, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Cable and wire products (continued)

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, fulfiling 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 stablise 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 perserve 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Copper rod products (continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 performancing 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 reorgainsation, 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 Asia Pacific 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.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2005, the interests of the directors and their associates in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in the shares of the Company

Name of director	Number of issued ordinary shares beneficially held	Percentage of the issued share capital of the Company
Mr. Chau Lai Him	81,992,000 *(Note)*	20.90%

Note: These shares are held by Chau's Family 1996 Limited which is wholly owned by the Chau's Family 1996 Trust, a discretionary trust of which Mr. Chau Lai Him is a discretionary object.

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

Long position in the shares of Hua Yi Copper Holdings Limited, an associated corporation of the Company

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

Other than as disclosed above, as at 31 December 2005, none of the directors, nor their associates had any interests or short position in the securities of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than as disclosed above, none of the directors or their associates had any right to subscribe for securities of the Company, or had exercised any such right during the period, and at no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTIONS

On 16 September 2002, the Company adopted a New Share Option Scheme (the "New Share Option Scheme") which replaced the Company's old share option scheme adopted in 1996 (the "Old Share Option Scheme").

The following table sets out the changes in the Company's outstanding share options under the New Share Option Scheme during the six months ended 31 December 2005:

				Number of share options		
Capacity	**Date of grant**	**Exercisable period**	**Adjusted exercise price** HK$	**Balance at 1.7.2005**	**Exercised during the period**	**Balance at 31.12.2005**
Others	26 May 2005	26 May 2005 to 25 May 2008	0.32	18,950,000	–	18,950,000
Total				18,950,000	–	18,950,000

As at 31 December 2005, there were no outstanding share options under the Old Share Option Scheme.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the six months ended 31 December 2005.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed under the heading "Directors' Interests in Securities" above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no other person as having an interest of 5% or more in the issued share capital of the Company as at 31 December 2005.

DISCLOSURE PURSUANT TO RULE 13.13 OF THE LISTING RULES

The aggregate trade receivable balance due from Whirlpool Corporation was approximately HK$15,009,000, representing 15.7% of the market capitalization of the Company and 0.9 % of the unaudited total assets of the Company as at 31 December 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.

On behalf of the Board
Chau Lai Him
Chairman and Managing Director

Hong Kong SAR, 24 March 2006