



SEMTECH INTERNATIONAL HOLDINGS LIMITED

先科國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 724)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

The Board of Directors of Semtech International Holdings Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2006.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Unaudited		increase %
	2006 <i>HK\$ million</i>	2005 <i>HK\$ million</i>	
Turnover	291.7	241.2	21
Profit attributable to shareholders	27.2	20.9	30
Basic earnings per share	8.07 cents	7.15 cents	13
Interim dividend per share	1.5 cents	1.0 cent	50

INTERIM DIVIDEND

The directors have resolved to declare an interim dividend of HK1.5 cents (2005: HK1 cent) per share for the six months ended 30 June 2006 to be paid on or around 17 October 2006 to shareholders of the Company whose names appear in the Register of Members of the Company on 29 September 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 27 September 2006 to 29 September 2006, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the declared dividend, all completed transfers accompanied by the relevant share certificates must be lodged with the Company’s Branch Registrars, Tengis Limited, at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong no later than 4:00 p.m. on 26 September 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

	Notes	Six months ended	
		30 June 2006 HK\$'000 (Unaudited)	30 June 2005 HK\$'000 (Unaudited)
Turnover	3	291,692	241,227
Cost of sales		<u>(238,173)</u>	<u>(197,683)</u>
Gross profit		53,519	43,544
Other income		3,582	1,200
Distribution costs		(5,538)	(5,362)
Administrative expenses		(14,974)	(14,262)
Other expenses		<u>(3,574)</u>	<u>–</u>
Profit from operations	5	33,015	25,120
Finance costs		<u>(22)</u>	<u>(5)</u>
Profit before tax		<u>32,993</u>	<u>25,115</u>
Tax expense	6	<u>(5,801)</u>	<u>(4,198)</u>
Net profit for the period		<u><u>27,192</u></u>	<u><u>20,917</u></u>
Attributable to:			
Equity holders of the Company		27,192	20,917
Minority interests		<u>–</u>	<u>–</u>
		<u><u>27,192</u></u>	<u><u>20,917</u></u>
Dividends	7	<u><u>5,696</u></u>	<u><u>2,925</u></u>
Earnings per share			
Basic	8	<u><u>HK8.07 cents</u></u>	<u><u>HK7.15 cents</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2006

	30 June 2006 <i>HK\$'000</i> (Unaudited)	31 December 2005 <i>HK\$'000</i> (Audited)
Non-current assets		
Property, plant and equipment	95,733	98,749
Investment properties	12,392	11,700
Interest in leasehold land held for own use under operating lease	1,569	1,564
Other intangible assets	1,229	1,399
Interest in a jointly controlled entity	(3,014)	(2,409)
	<hr/>	<hr/>
Total non-current assets	107,909	111,003
Current assets		
Inventories	109,149	82,584
Trade and bills receivables	165,828	137,367
Prepayments, deposits and other receivables	10,348	16,742
Cash and cash equivalents	87,193	48,051
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Total current assets	372,518	284,744
Current liabilities		
Trade and bills payables	95,057	79,194
Other payables and accruals	12,976	14,829
Amounts due to directors	1,339	8,045
Dividend payable	11,393	–
Tax payable	13,440	14,793
Obligations under finance leases	312	119
	<hr/>	<hr/>
Total current liabilities	134,517	116,980
Net current assets	238,001	167,764
	<hr/>	<hr/>
Total assets less current liabilities	345,910	278,767
Non-current liabilities		
Obligations under finance leases	657	16
Employee benefits	443	443
Deferred tax liabilities	11,604	11,127
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Total non-current liabilities	12,704	11,586
Total net assets	333,206	267,181
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Capital and reserves attributable to equity holders of the Company		
Share capital	37,975	32,175
Reserves	289,515	225,333
Proposed dividends	5,696	9,653
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Equity attributable to equity holders of the Company	333,186	267,161
Minority interests	20	20
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Total equity	333,206	267,181
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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

1. BASIS OF PREPARATION

These unaudited interim financial statements 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 the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”).

These interim financial statements for the six months ended should be read in conjunction with the 2005 annual report.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the condensed financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2005, except as described below.

The following new standards, amendments to standards and interpretations which are relevant to the Group’s operations are mandatory for financial year ending 31 December 2006.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of new/revised HKAS19 (Amendment), 21 (Amendment), 39 (Amendments), HKFRS 4 (Amendment) and HK(IFRIC)-Int 4 did not result in substantial changes to the Group’s accounting policies.

The following new standards, amendments to standards and interpretations relevant to the Group’s operations have been issued but are not effective for 2006 and have not been early adopted:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments : Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

3. TURNOVER

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances.

4. SEGMENT INFORMATION

The Group’s operating businesses are structured and managed separately according to the nature of their operations and the products. These businesses are the basis on which the Group reports its primary segment information and their details are as follows:

- a) Electronic products segment engages in the manufacture and trading of electronic and electrical parts and components.

- b) Lighter products segment engages in the design, manufacture and sale of cigarette lighters and related accessories.

The Group's turnover and net profit for the period by business segment are as follows:

	Electronic products		Lighter products		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue :						
Sales to external customers	219,881	169,407	71,811	71,820	291,692	241,227
Other income	2,080	2	1,502	1,198	3,582	1,200
Total segment revenue	<u>221,961</u>	<u>169,409</u>	<u>73,313</u>	<u>73,018</u>	<u>295,274</u>	<u>242,427</u>
Segment results	<u>33,558</u>	<u>25,664</u>	<u>62</u>	<u>953</u>	<u>33,620</u>	<u>26,617</u>
Unallocated expenses					(605)	(1,497)
Finance costs					(22)	(5)
Profit before tax					32,993	25,115
Tax expense					(5,801)	(4,198)
Net profit for the period					<u>27,192</u>	<u>20,917</u>

5. PROFIT BEFORE TAXATION

	Six months ended	
	30 June 2006	30 June 2005
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	8,076	7,365
Amortisation of lease prepayments on land use rights	18	17
Amortisation of intangible assets	319	348
Impairment of goodwill	-	12
and after crediting:		
Gain on fair value changes of investment properties	692	69
Interest income	45	14

6. TAXATION

	Six months ended	
	30 June 2006	30 June 2005
	HK\$'000	HK\$'000
Current tax		
Hong Kong	5,317	4,663
Other jurisdictions	7	4
	<hr/>	<hr/>
	5,324	4,667
Deferred taxation	477	(469)
	<hr/>	<hr/>
	<u>5,801</u>	<u>4,198</u>

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. DIVIDENDS

The directors have resolved that an interim dividend of HK1.5 cents (2005: HK1 cent) per share should be paid to the shareholders of the Company whose names appear in the Register of Members on 29 September 2006.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit attributable to equity holders of the Company for the period of HK\$27,192,000 (1.1.2005-30.6.2005: net profit of HK\$20,917,000) and the weighted average number of 336,811,000 (1.1.2005-30.6.2005: 292,500,000) ordinary shares in issue during the period.

There were no dilutive potential ordinary shares in issue during the six months ended 30 June 2006 and 2005 and, accordingly, no diluted earnings per share was presented.

BUSINESS REVIEW

During the six months ended 30 June 2006 (the "Reporting Period"), the Group's turnover increased by 21% to approximately HK\$291.7 million compared with the six months ended 30 June 2005 (the "Corresponding Period"). A net profit of approximately HK\$27.2 million attributable to shareholders is being reported, a 30% increase over the approximately HK\$20.9 million for the Corresponding Period.

Electronic and Electrical Components Business

The increase in turnover for the Group is mainly attributed by the outstanding performance in the electronic and electrical components segment, of which the turnover increased by about 30% to HK\$219.9 million. This segment profit amounted to HK\$33.6 million, which is an increase of 31% over the Corresponding Period.

After spending almost two years' effort in the product development and market exploration, the manufacturing of SMD SOD/SOT-series components have been able to attain and sustain the stability in production quality. As a result, the "ST" brand SOD/SOT series products are able to obtain excellent reception in the market during the first half of 2006, they are now widely accepted by many renowned and notable customers. Externally, the increase in demand of compact but sophisticated consumer products have also led to the increase in demand for smaller size components, thus providing a strong market potential for our newly developed products. Turnover of this category of product has increased drastically during this Reporting Period to HK\$34.5 million when compared with approximately HK\$9.9 million in the Corresponding Period.

Lighters and Lighter Related Accessories Business

Due to keen competition in the lighter industry, the segment turnover during the Reporting Period has just maintained at HK\$71.8 million with a segment profit of approximately HK\$0.06 million as compared to approximately HK\$1.0 million in the Corresponding Period. This business segment is operating in a difficult environment, it experienced severe price fluctuation in material cost, serious labour shortage problem and increased demand in compliance with safety regulations. All these took away most of its contribution to the Group and it can only remain in a breakeven situation.

PROSPECTS

The principal business activities of the Group includes (i) manufacturing and trading of high-end electronics and electrical parts and components; and (ii) engaging in the design, manufacture and trading of a wide range of cigarette lighters and lighter-related accessories.

The Group has achieved a remarkable result during this interim period. However, we need to be more cautious in assessing the world's current economic situation, in particular, in the People's Republic of China. Under the new round of austerity measures announced by the Chinese Government recently, interest rate has been increased twice in the current year and the continuous appreciation of Renminbi against the United States dollars put increased pressure to the Group's overall performance. At the same time, cost increase and price fluctuation in commodities like copper and oil, together with the problem of labour shortage further eroded our gross profit margin. In order to cope with all these cost pressure, the Group is planning to implement a series of cost control procedures to minimize the negative impact of the above concerns.

From the revision of the forecast for the world sales of semiconductors in 2006 by both the Semiconductor Industry Association and the World Semiconductor Trade Statistics Inc. to around 10%, which is about 2% increase as compared to their own forecast six months ago, growth in semiconductor industry is expected to remain strong due to the continuing buoyant world economy and this gives a solid growth foundation for the Group. With the surge in demand for personal computers, digital cameras, digital televisions, and MP3 players in the current year, we expect this momentum will continue in the coming years. This provides a great market potential for our SOD/SOT products and it is anticipated that total sales in this category will continue to increase significantly for the latter half of 2006. We have already started to renovate an additional production floor to accommodate the increase in production capacity and to capture this buoyant market opportunity aiming to bring a healthy profit growth to our shareholders.

We will not content with the current performance. Further effort has already been put in other new areas of product advancement and enhancement. After recognizing the radio frequency identification technology (RFID) will become an inevitable trend in the future, the Group has started to explore and study the potential of this market segment and to penetrate further and wider in this new spectrum of high-end electronics business with an aim to seize every opportunity that may come across in the future.

CORPORATE GOVERNANCE PRACTICE

The Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the accounting period covered by this interim report. With regard to the deviation stated in the Corporate Governance Report in the 2005 Annual Report, the required practice for code E.1.2 has been complied as the President has attended the annual general meeting held during the interim period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the six months ended 30 June 2006.

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

During the period, there was no purchase, sale or redemption by the Company or any of its subsidiary companies of the Company’s listed securities.

AUDIT COMMITTEE & REVIEW OF INTERIM RESULTS

The Audit Committee is composed of the three independent non-executive directors of the Company. Its principal duty is to review and supervise the Company’s and the Group’s financial reporting process and internal controls. The unaudited interim results of the Group for the six months ended 30 June 2006 have been reviewed by the Audit Committee.

On behalf of the Board
Lam Yat Keung
President

Hong Kong, 13 September 2006

As at the date of this announcement, the Board comprises Mr. Lam Yat Keung, Ms. Lam Pik Wah and Mr. Lam Hung Kit as Executive Directors and Mr. Lo Wah Wai, Mr. Ho Chi Fai and Mr. Pai Te Tsun as Independent Non-executive Directors.

* *For identification only*