SENYUAN INTERNATIONAL HOLDINGS LIMITED
森源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2006

FINANCIAL HIGHLIGHTS

- Turnover for the first half of 2006 was RMB187.1 million, representing an increase of 12.2% over the corresponding period last year.
- Net profit attributable to shareholders of the Company for the first half of 2006 was RMB23.4 million, representing an increase of 18.7% over the corresponding period last year.
- Basic earnings per share for the first half of 2006 was RMB7.7 cents.

2006 INTERIM RESULTS (UNAUDITED)

The Board of Directors (the "Directors") of Senyuan International Holdings Limited (the "Company") are pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2006 (the "Interim Period") together with the comparative figures for the corresponding period in 2005 as set out below.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2006	2005
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Turnover	2	**187,137**	166,736
Cost of sales		**(141,472)**	(131,159)
Gross profit		**45,665**	35,577
Other revenue		**2,222**	2,855
Selling and distribution costs		**(5,856)**	(3,776)
Administrative expenses		**(13,653)**	(10,267)
Other operating incomes/(expenses)		**26**	(8)
Profit from operating activities	4	**28,404**	24,381
Finance costs		**(2,313)**	(2,473)
Share of results of associates		**122**	–
Profit before taxation		**26,213**	21,908
Taxation	5	**(2,801)**	(2,187)
Net profit from ordinary activities attributable to shareholders		**23,412**	19,721
Proposed interim dividends	6	**–**	–
Earnings per share – Basic – RMB(cents)	7	**7.7**	6.5

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2006 (Unaudited) RMB'000	As at 31 December 2005 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		**102,046**	88,681
Prepaid land lease payments		**8,023**	7,932
Long term prepayments		**3,947**	3,013
Interest in associates		**12,123**	5,499
Available-for-sale equity investment		**600**	600
Deferred tax assets		**921**	921
Total non-current assets		**127,660**	106,646
Current assets			
Inventories		**77,206**	62,426
Trade receivables	*8*	**76,973**	79,628
Prepayments, deposits and other receivables		**14,443**	9,379
Due from related companies		**23,165**	21,209
Cash and cash equivalents		**108,497**	80,847
Total current assets		**300,284**	253,489
Current liabilities			
Trade and bills payables	*9*	**101,276**	74,508
Deferred income		**1,850**	1,900
Other payables and accruals		**11,043**	14,313
Interest-bearing bank and other borrowings		**97,000**	63,000
Due to related companies		**6,220**	1,324
Tax payable		**2,514**	3,051
Total current liabilities		**219,903**	158,096
Net current liabilities		**80,381**	95,393
Total assets less current liabilities		**208,041**	202,039
Net assets		**208,041**	202,039
Combined capital and reserves			
Issued share capital		**32,473**	32,473
Reserves		**175,568**	169,566
Equity attributable to equity holders of the parent		**208,041**	202,039

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Principal accounting policies and basis of preparation

a. Principal accounting policies

The unaudited condensed consolidated interim financial statements (the "Financial Statements") are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Financial Statements have been prepared under the historical cost convention.

The accounting policies used in preparation of the Financial Statements are consistent with those adopted in the financial statements for the year ended 31 December 2005 with the addition of certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued and became effective during the six months ended 30 June 2006.

The adoption of such standards or amendments does not result in substantial changes to the Group's accounting policies and has no significant effect on the results for the first half of 2006. The new and revised HKFRSs has no significant effect on the results for the current or prior accounting period. Accordingly, no prior period adjustment has been required.

b. Basis of preparation

The Financial Statements have been prepared by adopting a uniting of interests method of accounting as a result of a group reorganisation, details of which are set out in the Company's prospectus dated 28 June 2005. Accordingly, the combined income statement and combined balance sheet of the companies now comprising the Group have been prepared as if the Group structure as at 31 May 2005 had been in existence from the respective dates of their incorporation and to the extent of interests held by the Company's shareholder. All material intra-group transactions and balances have been eliminated on combination.

As at the date of this announcement, the Company had direct or indirect interests in the following subsidiaries, all of which have substantially similar characteristics to a private company incorporated in Hong Kong, the particulars of which are set out below:

Company	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary share/registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Senyuan International Investments Limited	British Virgin Islands 21 September 2004	US$7,607,500	100	–	Investment holding
Changzhou Senyuan Switch Co., Ltd ("Changzhou Senyuan")	The PRC 21 January 1997	US$8,500,000	–	100	Manufacture and sale of vacuum circuit breakers and components of switchgears
Teamachieve Investments Limited	British Virgin Islands 2 December 2005	US$1	–	100	Investment holding
Gain source International Limited	British Virgin Islands 15 August 2005	US$1	–	100	Investment holding

2. Turnover

Turnover represents the net invoiced value or contracted value of goods sold upon dispatch of goods, after allowances for returns and trade discounts and business/sales tax where applicable.

	For the six months ended 30 June 2006 (Unaudited) *RMB'000*	2005 (Unaudited) *RMB'000*
Turnover		
Sales of goods	**187,137**	166,736

Over the past three years, the Group has demonstrated an established seasonal sales pattern in a proportion of 4:6 for the first half year and the second half year.

3. Segment information

Over 90% of the Group's turnover and profit for the Interim Period were derived from manufacture and sale of vacuum circuit breakers, components of medium-voltage switchgears and semi-assembled products.

The Group's revenue was wholly derived from customers based in the PRC and over 90% of Group's operating assets are located in Changzhou, Jiangsu Province, the PRC. Accordingly, no analysis by business and geographical segments is presented for the Interim Period.

4. Profit from operating activities

The Group's profit from operating activities is arrived at after charging:

	For the six months ended 30 June 2006 (Unaudited) *RMB'000*	2005 (Unaudited) *RMB'000*
Cost of inventories sold	**141,472**	131,159
Depreciation	**4,207**	3,101
Amortisation of prepaid land lease payments	**86**	86
Auditors' remuneration	**–**	–
Staff costs (including Directors' remuneration):		
Wages, salaries and staff welfare	**11,670**	8,432
Pension scheme contributions	**1,180**	992
	10,315	8,214
Provision for bad and doubtful debt	**–**	405

5. Taxation

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Interim Period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Changzhou Senyuan is located and operates in one of the coastal "economic opening zone" of the PRC and the applicable income tax rate is 24%. According to the prevailing tax law of the PRC, Changzhou Senyuan, being a manufacturing enterprise with foreign investments, is entitled to full exemption from corporate income tax for the first and second profitable years (after offsetting accumulated tax losses, which can be carried forward for utilisation for a maximum period of five years), and a further 50% exemption for the succeeding three years.

Being granted the "double-intensity enterprise" status (兩個密集型企業) and approved by the State Administration of Tax Bureau of Changzhou, Jiangsu Province, Changzhou Senyuan is entitled to an applicable tax rate of 15% since 2004. In addition, being an advanced-technology enterprise with foreign investment, upon approval by the State Administration of Tax Bureau of Changzhou, Jiangsu Province, Changzhou Shenyuan, is entitled to a 50% reduction (with a minimum tax rate of 10%) for an additional three years after the initial five-year tax holiday as stated above. Accordingly, pursuant to an approval by the State Administration of Tax of Changzhou, Jiangsu Province, Changzhou Senyuan is subject to an applicable income tax rate of 10% from 2004 to 2006.

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current year provision at the concession tax rate of 10%	**2,801**	2,187
Deferred tax	**–**	–
Tax charge	**2,801**	2,187

6. Dividends

The Directors do not recommend the payment of an interim dividend (six months ended 30 June 2005: Nil).

7. Earnings per share

The calculation of basic earnings per share for the Interim Period is based on the net profit from ordinary activities attributable to shareholders for the Interim Period.

A diluted earnings per share account for each interim period has not been disclosed as no diluting events existed during each interim period.

8. Trade receivables

Trade receivables, which generally have credit terms ranging from 30 to 90 days, were recognised and carried at original invoice amounts less allowances for any uncollectible amounts. Overdue balances are reviewed regularly by senior management. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

An age analysis of trade receivables, based on the invoice date, is as follows:

	30 June 2006	31 December 2005
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Outstanding balances with ages:		
Within 30 days	**29,559**	30,226
Between 31 days to 90 days	**19,943**	24,281
Between 91 days to 180 days	**8,145**	12,473
Between 181 days to 365 days	**14,481**	7,639
Between 1 year to 2 years	**7,063**	7,909
Over 2 years	**5,005**	4,323
	84,196	86,851
Less: Provision for doubtful debts	**(7,223)**	(7,223)
	76,973	79,628

9. Trade and bills payables

An age analysis of trade and bills payables, based on invoice dates, is as follows:

	30 June 2006 (Unaudited) *RMB'000*	31 December 2005 (Audited) *RMB'000*
Outstanding balances with ages:		
Within 30 days	**34,702**	25,577
Between 31 days to 90 days	**37,133**	25,275
Between 91 days to 180 days	**16,640**	18,449
Between 181 days to 365 days	**12,106**	3,656
Between 1 year to 2 years	**212**	947
Between 2 years to 3 years	**483**	604
	101,276	74,508

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 180 days.

10. Post balance sheet events

On 1 August 2006, the Company successfully acquired Changzhou Lanling Electrical Co., Ltd., which manufactures and sells assembled and semi-assembled products.

On 22 August 2006, the Company and Eaton Holding II S.a.r.l. ("Eaton") jointly announced a voluntary conditional cash offer to acquire all the issued shares in the share capital of the Company (the "Offer").

On 14 September 2006, the Offer was declared unconditional in all respects and Eaton announced its intention to proceed with its rights of compulsory acquisition to compulsorily acquire all the issued shares of the Company which had not been acquired and to procure the Company to make an application for the withdrawal of the listing of its shares from the Stock Exchange upon completion of the compulsory acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Interim Period, the Group achieved turnover of RMB187.2 million, representing an increase of 12.2% compared with RMB166.7 million of the corresponding period in the previous year. The increase was mainly attributable to:

1. The product mix has been adjusted. VCBs and switchgears continued to be our main products but the share of the assembled products in our turnover has increased gradually.

2. We have put emphasis on market development. Apart from consolidating the existing market, we have actively developed new markets and further penetrated into the markets in Northern Jiangsu Province, developed sales agencies in Northern Anhui Province, tendered bids and conducted market research in North East and South West China.

3. We have strengthened business cooperation through joint ventures with third parties, in particular with electricity power system related companies. For instance, Changzhoushi Tuoyuan Electrical & Equipment Co., Ltd., a newly established joint venture, has successfully developed its market.

4. We continued to promote licensed products with brand names in the developed areas of the PRC such as Shenyang and Guangzhou. Sales of the components of C-GIS product series including models SIMOSEC and 8DC11 have been increasing.

5. We strengthened our internal management. Guided with proper planning, and cost control in various aspects of operations, we have achieved practical results.

Under the directions of increasing revenue and reducing expenses, cutting cost and improving efficiency, further strengthening management and growing bigger and becoming stronger issued by the Board of Directors, we have made the following achievements:

1. On the basis of the development in 2005, we expanded from the production of VCBs and switchgear cubicles to assembled products gradually. The assembled products have entered into the scale production stage.

2. In the Interim Period, we made investment in Shanxi Senyuan Electrical Co., Ltd. (an associate of the Company which we hold 25% shareholding). The Company has also established Changzhou NKT Electrical Component Co., Ltd. (an associate of the Company which we hold 50% shareholding) with NKT Cables Group (incorporated in Denmark).

3. The net profit for the Interim Period is RMB23.41 million, representing an increase of 18.7% compared with RMB19.72 million of the corresponding period in the previous year.

The substantial increase in net profit in the Interim Period was mainly attributable to:

1. The directions of increasing revenue and reducing expenses, cutting cost and improving efficiency, further strengthening management and growing bigger and becoming stronger, issued by the Board of Directors, has been implemented strictly.

2. Comparing with the corresponding period in the previous year, the turnover increased by RMB20.4 million or 12.2% with an increase of RMB42.46 million in semi-assembled products and an increase of RMB7.48 million in Siemens' series of products, offset by a decrease of RMB29.44 million in circuit breakers, switchgear cubicles and function unit trucks.

3. The gross profit margin was increased by 3.1% from 21.3% of the corresponding period in the previous year to 24.4% of the Interim Period. The increase in the gross profit margin was mainly contributed by semi-assembled products.

FUTURE OUTLOOK

Electricity is an infrastructure industry. In China, electricity is of foremost importance during the growth stage of its industrial development. It is expected that the electricity industry will sustain its growth in the medium to long term.

Changzhou Senyuan is a prestigious manufacturer in the electricity transmission industry in the PRC. Its products of vacuum circuit breaker ("VCB") and switchgear cubicle have a good competitive edge. The competitive edge has been further strengthened by the scale production of the assembled products. The outlook of the Company is optimistic.

Directions and Measures

Directions:

Continuously implement the directions of increasing revenue and reducing expenses, cutting cost and improving efficiency, further strengthening management and growing bigger and becoming stronger.

Implementation measures:

1. To stabilize the adjusted products mix, to keep the competitive advantage of manufacture and marketing of VCBs and switchgear cubicles, and to swiftly enhance the competitive advantage of assembled products.

2. To consolidate Changzhou Lanling Electrical Co., Ltd. ("Lanling") into the Group. Lanling mainly produces and sells assembled and semi-assembled products which would be complementary to our component products and create synergy effect.

3. To expedite the absorption of new technology and development of new high-technology products. To develop markets for the new products and to enlarge the market coverage of the new products and the licensed products. We plan to manufacture electrical and electronic components introduced in the Interim Period in small scale in the second half year of 2006. This will lay a solid foundation for a future large-scale production.

4. To further strengthen the marketing team, to adequately motivate them in order to effectively implement our market development strategy.

5. To continuously expand our market, to strengthen cooperation with existing joint venture partners and to look for new joint venture opportunities.

6. To strengthen internal control and streamline systems and procedures, and to promote scientific management.

7. To further strengthen cost control and staff training, and to increase the cost awareness among senior staff in order to achieve the target of "increase revenue and reduce expenses, cut cost and improve efficiency".

Annual Target

To achieve the annual core economic indicator — net profit.

FINANCIAL REVIEW
Liquidity and financial resources

	30 June 2006 *RMB'000*	31 December 2005 *RMB'000*	Increase
Cash and bank deposits	**108,497**	80,847	34.2%

As at 30 June 2006, the Group's bank loans amounted to RMB97 million, increased by 54.0% compared with the end of 2005. The Group did not have long term bank loan.

Financial ratio	**Basis of calculation**	**30 June 2006**	31 December 2005
Gearing ratio	Total liabilities/Total assets *100%	**51.4%**	43.9%

As at 30 June 2006, equity available to shareholders of the Group was approximately RMB208.0 million (31 December 2005: RMB202.0 million).

Capital structure
As at 30 June 2006, the Group's borrowings and cash and cash equivalents were predominantly denominated in Renminbi. The total borrowings of RMB97 million bore an average interest rate of approximately 5.74% per annum, with little change from that at the end of 2005.

Pledge of assets
As at 30 June 2006, the Group's secured loans amounted to RMB48.3 million (with nil guaranteed loan), representing an increase of RMB13.3 million compared with RMB35.0 million secured loans (with nil guaranteed loan) at the beginning of the Interim Period. The loans were secured by land use rights, property, plant and equipment with an aggregate net book value of RMB81.4 million.

Exchange risks
All our sales and purchases are denominated in Renminbi except for the importation of certain machinery and equipment. As at 30 June 2006, the Group had outstanding letters of credit denominated in foreign currencies for Euro1.2 million and US$0.6 million. Fluctuation in exchange rates has brought risks relating to foreign exchange to the Group.

Contingent liabilities and capital commitments
As at 30 June 2006, the Group did not provide any guarantees for any third party and had no significant contingent liabilities. The Group did not have any capital commitment.

Material acquisitions and disposals
For the Interim Period, the Group did not have any material acquisition and disposal.

Human resources
As at 30 June 2006, the Group had 540 employees and for the Interim Period, the Group incurred total staff costs of RMB10.3 million. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. The Group is committed to nurturing a learning culture in the organization. Heavy emphasis is placed on training and development, as the Group's success is dependent on the efforts of a skilled and motivated work force.

The Company has adopted a share option scheme to provide incentives to the employees.

INTERIM DIVIDEND
The Directors do not recommend payment of any interim dividend for the six months ended 30 June 2006.

PURCHASES, SALE OR REDEMPTION OF SHARES
Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Interim Period.

CODE ON CORPORATE GOVERNANCE
The Company has applied the principles of the Code on Corporate Governance (the "Code on Corporate Governance") set out in Appendix 14 of the Listing Rules by taking them into account in formulating its corporate governance practices. The Company has also adopted the code provisions of the Code on Corporate Governance.

Subject to the deviations set out below, the Company has complied with the code provisions of the Code on Corporate Governance:

(i) as the Company's website had been under construction, the terms of reference of the Remuneration Committee and the Audit Committee were not included in the Company's website until 15 March 2006;

(ii) the Company adopted the Model Code for Securities Transaction by Relevant Employees on no less exact terms than the Model Code (as defined below) on 24 April 2006 as the Company's shares are listed in Hong Kong and most of its employees are in the PRC which imposes strict limitations on their ability to trade in the shares.

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules regarding securities transactions by the directors. The Company has made specific enquiry of all of its directors regarding any non-compliance with the Model Code. All the directors confirmed that they have fully complied with the required standard set out in the Model Code during the Interim Period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim report.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

This results announcement is published on the Stock Exchange's website (www.hkex.com.hk). The interim report will be despatched to the shareholders and available on the same website in due course.

As at the date of this announcement, the Board of Directors is composed of Mr. Tsang Shui Ching, Patrick, Mr. Zhou Anmin, Mr. Lou Chong Wei and Mr. Shu Yi Jin as executive Directors and Mr. Keung Ping Yin, Raymond, Mr. Wong Yiu Sun, Peter and Mr. Lu Yan Sun as independent non-executive Directors.

By Order of the Board
TSANG SHUI CHING, PATRICK
Chairman

Hong Kong, 21 September 2006

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