

2024



JIC

J.I.C. Technology Company Limited

KEY HIGHLIGHTS

- Profit from operations increased by 266% to HK\$14.7 million.
- Profit from operations for the second quarter of 2004 increased by 923% from HK\$0.72 million for the second quarter of 2003 to HK\$7.38 million.
- Gross Profit increased by 71% to HK\$35.2 million.
- Turnover increased by 9% to HK\$186.9 million.
- The Directors have resolved to declare an interim dividend of HK\$0.015 per share.

1. Summarised Statement of Income

(In thousands of HK Dollars, except as otherwise stated)

| | Quarterly Results | | | Half-Year Results | | |
|--------------------------|-----------------------------|-----------------------|---------|---------------------------|-----------------------|--------|
| | 2Q2004 | 2Q2003 | YoY(%) | 1H2004 | 1H2003 | YoY(%) |
| Turnover | 99,567 | 89,466 | 11.3 | 186,861 | 171,791 | 8.8 |
| Profit from Operations | 7,381 | 721 | 923.2 | 14,700 | 4,014 | 266.3 |
| Net Profit | 7,154 | 18,176 ^(a) | (60.6) | 14,307 | 21,190 ^(a) | (32.5) |
| % of sales | 7.2% | 20.3% | — | 7.7% | 12.3% | — |
| Basic EPS (HK cents) | (0.61)^(a) | 3.40 | (118.0) | 1.42^(a) | 5.05 | (72.0) |
| Diluted EPS (HK cents) | N/A^(b) | 2.38 | — | N/A^(b) | 2.78 | — |
| Weighted average | | | | | | |
| number of shares ('000') | | | | | | |
| Basic | 352,544 | 182,544 | — | 352,544 | 182,544 | — |
| Diluted | 763,535 | 763,535 | — | 763,535 | 763,535 | — |

Notes:

- (a) The basic earnings per share is affected by the approval and payment of 2003 final dividends on preference shares in the sum of HK\$9.3 million in April 2004.

- (b) No diluted earnings per share is presented as the conversion of the Company's outstanding preference shares would result in an increase in earnings per share for the period.
- (c) The net profit of HK\$21.19 million for the first six months of 2003 included a one time gain of HK\$17.62 million on the disposal of the transformer business of the Company in the second quarter of 2003.

2. Quarterly Sales Breakdown

(In thousands of HK Dollars, except percentages)

| Quarter | 2003 | 2004 | YoY(%) | YoY(%) |
|-------------|----------------|----------------|-------------|-------------------------|
| | | | (Quarterly) | (Quarterly accumulated) |
| 1st Quarter | 82,325 | 87,294 | 6.0% | 6.0% |
| 2nd Quarter | 89,466 | 99,567 | 11.3% | 8.8% |
| 3rd Quarter | 72,613 | — | N/A | N/A |
| 4th Quarter | 81,073 | — | N/A | N/A |
| Total | <u>325,477</u> | <u>186,861</u> | | |

Note: The turnover in the 1st and 2nd Quarters of year 2003 consisted of revenue from both LCD panels and transformer business. Sales of transformers were approximately HK\$26,465,000 and HK\$25,478,000 during the 1st and 2nd Quarters respectively in year 2003. The transformer business was disposed of on 28 June 2003 and discontinued thereafter.

3. Financial Position

(In millions of HK Dollars, except as otherwise stated)

| | 30 June 2004 | 31 December 2003 |
|---|-------------------------|-----------------------------|
| Cash on Hand | 49.63 | 40.67 |
| Cash/Current Liabilities <i>(ratio)</i> | 0.45 | 0.50 |
| Current Ratio | 1.66 | 1.67 |
| Total Assets/Total Liabilities <i>(ratio)</i> | 1.92 | 2.46 |
| Debtor's turnover days ^(a) | 79 | 73 |
| Inventory turnover days ^(b) | 51 | 36 |

Notes:

- (a) The calculation of debtor's turnover days is based on the amount of trade debtors as at the relevant period end divided by sales of the same period and multiplied by 365 days and the number of months in that period over 12.
- (b) The calculation of inventory turnover days is based on the amount of inventories as at the relevant period end divided by cost of sales of the same period and multiplied by 365 days and the number of months in that period over 12.

UNAUDITED INTERIM RESULTS

The board of directors ("the Board") of J.I.C. Technology Company Limited ("the Company") is pleased to announce the unaudited condensed consolidated results of the Company for the six months ended 30 June 2004.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2004

| | | Six months ended 30 June | |
|--|-------|---------------------------------------|--------------------------------|
| | | 2004 | 2003 |
| | Notes | HK\$'000 (unaudited) | HK\$'000 <i>(unaudited)</i> |
| Turnover | 3 | 186,861 | 171,791 |
| Cost of sales | | (151,626) | (151,159) |
| Gross profit | | 35,235 | 20,632 |
| Other operating income | | 564 | 654 |
| Distribution costs | | (2,753) | (1,580) |
| Administrative expenses | | (15,001) | (13,669) |
| Research and development expenses | | (3,345) | (2,023) |
| Profit from operations | 4 | 14,700 | 4,014 |
| Interest on bank borrowings wholly repayable within five years | | (393) | (486) |
| Profit on disposal of discontinued operations | 5 | — | 17,620 |
| Profit before taxation | | 14,307 | 21,148 |
| Taxation | 6 | — | 42 |
| Net profit for the period | | 14,307 | 21,190 |
| Dividends | 7 | 17,069 | 15,619 |
| Earnings per share | 8 | | |
| Basic | | 1.42 cents | 5.05 cents |
| Diluted* | | N/A | 2.78 cents |

* Assuming the full conversion of the convertible preference shares outstanding during the six months ended 30 June 2004 to reflect the effect of all potentially dilutive ordinary shares, the adjusted earnings and weighted average number of ordinary shares is approximately HK\$14,307,000 and 763,534,756, respectively, resulting in an increase in earnings per share for the period. Accordingly, no diluted earnings per share has been presented.

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2004

| | Notes | At 30 June 2004 HK\$'000 (unaudited) | At 31 December 2003 HK\$'000 (audited) |
|---|-------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 9 | 90,606 | 93,278 |
| Deposits paid for the acquisition of property, plant and equipment | | 9,436 | 482 |
| Club membership | | 381 | 381 |
| Other investment | | 3,000 | 3,000 |
| | | 103,423 | 97,141 |
| Current assets | | | |
| Inventories | | 42,735 | 26,899 |
| Trade and other receivables | 10 | 84,035 | 67,312 |
| Amount due from a fellow subsidiary | | 1,082 | 112 |
| Taxation recoverable | | 3,916 | 2,182 |
| Bank balances and cash | | 49,625 | 40,670 |
| | | 181,393 | 137,175 |
| Current liabilities | | | |
| Trade and other payables | 11 | 69,396 | 49,479 |
| Amount due to a fellow subsidiary | | 1,148 | 9,307 |
| Taxation payable | | 2,345 | 2,427 |
| Bank borrowings — due within one year | 12 | 36,270 | 20,716 |
| | | 109,159 | 81,929 |
| Net current assets | | 72,234 | 55,246 |
| Total assets less current liabilities | | 175,657 | 152,387 |
| Non-current liability | | | |
| Bank borrowings — due after one year | 12 | 39,195 | 13,163 |
| | | 136,462 | 139,224 |
| Capital and reserves | | | |
| Share capital | 13 | 7,759 | 7,759 |
| Reserves | | 128,703 | 131,465 |
| | | 136,462 | 139,224 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004

| | Share capital | | | Reserves | | | | Total share capital and reserves | |
|--|---------------|------------|----------|----------|----------|----------|-------------|----------------------------------|----------|
| | Ordinary | Preference | Total | Ordinary | Goodwill | Special | Accumulated | | |
| | | | | share | | | | | reserve |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| At 1 January 2003 (audited) | 1,826 | 5,984 | 7,810 | – | (8,351) | (6,774) | 125,146 | 110,021 | 117,831 |
| Net profit for the period | – | – | – | – | – | – | 21,190 | 21,190 | 21,190 |
| At 30 June 2003 (unaudited) | 1,826 | 5,984 | 7,810 | – | (8,351) | (6,774) | 146,336 | 131,211 | 139,021 |
| Conversion of preference shares to ordinary shares | 1,700 | (1,751) | (51) | 51 | – | – | – | 51 | – |
| Dividends paid | – | – | – | – | – | – | (15,619) | (15,619) | (15,619) |
| Net profit for the period | – | – | – | – | – | – | 15,822 | 15,822 | 15,822 |
| At 31 December 2003 (audited) | 3,526 | 4,233 | 7,759 | 51 | (8,351) | (6,774) | 146,539 | 131,465 | 139,224 |
| Net profit for the period | – | – | – | – | – | – | 14,307 | 14,307 | 14,307 |
| Dividends paid | – | – | – | – | – | – | (17,069) | (17,069) | (17,069) |
| At 30 June 2004 (unaudited) | 3,526 | 4,233 | 7,759 | 51 | (8,351) | (6,774) | 143,777 | 128,703 | 136,462 |



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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2004

| | Six months ended | |
|---|----------------------|----------------------|
| | 30 June | |
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Net cash from operating activities | 140 | 3,814 |
| Net cash (used in) from investing activities | (15,309) | 13,909 |
| Net cash from (used in) financing activities | <u>24,124</u> | <u>(3,426)</u> |
| Net increase in cash and cash equivalents | 8,955 | 14,297 |
| Cash and cash equivalents at beginning of the period | <u>40,670</u> | <u>13,343</u> |
| Cash and cash equivalents at end of the period, representing bank balances and cash | <u><u>49,625</u></u> | <u><u>27,640</u></u> |



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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2004

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of certain investment securities.

The principal accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2003.

3. SEGMENT INFORMATION

Business segments

For the six months ended 30 June 2004, the Group is engaged entirely in the manufacturing and distribution of liquid crystal display ("LCD") products and accordingly, no analysis by business segment is provided. For the six months ended 30 June 2003, the Group was also involved in the manufacture and distribution of transformers ("Transformers"). The Transformers business was disposed of on 28 June 2003 and discontinued thereafter (*note 5*).

Segment information on the business of LCD and Transformers for the six months ended 30 June 2003 is presented below:

| | (Discontinued) | | Consolidated |
|---|----------------|---------------|----------------|
| | LCD | Transformers | |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover | <u>119,848</u> | <u>51,943</u> | <u>171,791</u> |
| Segment result | <u>3,739</u> | <u>275</u> | 4,014 |
| Finance costs | (486) | — | (486) |
| Profit on disposal of discontinued operations | — | 17,620 | <u>17,620</u> |
| Profit before taxation | | | 21,148 |
| Taxation | — | 42 | <u>42</u> |
| Net profit for the period | | | <u>21,190</u> |

Geographical segments

The following table provides an analysis of the Group's sales by geographical market:

| | The People's Republic of China | | Japan | Others | Total |
|--|--------------------------------------|----------------|---------------|--------------|----------------|
| | Hong Kong ("The PRC") HK\$'000 | HK\$'000 | | | |
| For the six months ended 30 June 2004 | | | | | |
| Turnover | <u>24,769</u> | <u>157,546</u> | <u>1,611</u> | <u>2,935</u> | <u>186,861</u> |
| Profit from operations | <u>3,931</u> | <u>9,814</u> | <u>363</u> | <u>592</u> | <u>14,700</u> |
| For the six months ended 30 June 2003 | | | | | |
| Turnover | <u>50,943</u> | <u>102,155</u> | <u>14,965</u> | <u>3,728</u> | <u>171,791</u> |
| Profit from operations | <u>1,228</u> | <u>2,611</u> | <u>97</u> | <u>78</u> | <u>4,014</u> |

4. PROFIT FROM OPERATIONS

Six months ended 30 June

| | 2004 | 2003 |
|--|--------------------------|--------------------------|
| | HK\$'000 | HK\$'000 |
| Profit from operations has been arrived at after charging: | | |
| Allowance for bad and doubtful debts, net | — | 193 |
| Depreciation of property, plant and equipment | 9,063 | 10,070 |
| Loss on disposal of property, plant and equipment | 6 | 11 |
| and after crediting: | | |
| Bank interest income | 42 | 20 |
| Written back of allowance for bad and doubtful debts, net | 592 | — |
| Written back of allowance for inventories | 578 | 1,660 |
| | <u> </u> | <u> </u> |

5. PROFIT ON DISPOSAL OF DISCONTINUED OPERATIONS

In June 2003, the Group entered into a sale agreement to dispose of its Transformers business. The disposal was completed on 28 June 2003 when the control of the Group's Transformers business passed to the acquirer, resulting in a profit of approximately HK\$17,620,000, being the proceeds of disposal less the carrying amount of the net assets of the Transformers business.

The results of the Transformers business for the period from 1 January 2003 to 28 June 2003 are set out in note 3.

6. TAXATION

| | Six months ended 30 June | |
|---------------------------------|---------------------------------|-------------------|
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| Hong Kong Profits Tax | | |
| Current period | — | (200) |
| Overprovision in prior period | — | 70 |
| | <u> </u> | <u> </u> |
| | — | (130) |
| PRC income tax — current period | <u> </u> | <u> </u> |
| | — | (158) |
| Deferred taxation | <u> </u> | <u> </u> |
| | — | 200 |
| | <u> </u> | <u> </u> |
| | <u> </u> | <u> </u> |
| | — | 42 |
| | <u> </u> | <u> </u> |

For the six months ended 30 June 2004, no provision for Hong Kong Profits Tax has been made in the condensed financial statements as the Group did not have any significant assessable profit arising in Hong Kong for the period.

For the six months ended 30 June 2003, Hong Kong Profits Tax was calculated at 17.5% on the estimated assessable profits for that period.

PRC income tax is calculated at the applicable rates relevant to the PRC subsidiaries. Pursuant to the relevant laws and regulations in the PRC, a foreign investment enterprise ("FIE") whose foreign investor directly reinvests by way of capital injection its share of profits obtained from that FIE in establishing or expanding an export-oriented or technologically advanced enterprise in the PRC for a minimum period of five years may obtain a refund of the taxes already paid on those profits. The Group's PRC subsidiary qualified for such tax refunds as a result of the Group's reinvestment of its profit earned in previous years. As a result, the Group recorded tax expense net of the benefit related to the refunds. Tax that would otherwise have been payable without the above tax refund concession amounts to approximately HK\$1,635,000 for the six months ended 30 June 2004 (1.1.2003 to 30.6.2003: HK\$104,000).



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7. DIVIDENDS

| | Six months ended 30 June | |
|----------------------------------|---------------------------------|---------------|
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| Interim dividends for 2003: | | |
| – HK\$0.02 per ordinary share | – | 3,651 |
| – HK\$0.02 per preference share | – | 11,968 |
| Final dividends for 2003: | | |
| – HK\$0.022 per ordinary share | 7,756 | – |
| – HK\$0.022 per preference share | 9,313 | – |
| | <u>17,069</u> | <u>15,619</u> |

The board of directors has proposed an interim dividend for the six months ended 30 June 2004 of HK\$0.015 (1.1.2003 to 30.6.2003: HK\$0.02) per ordinary share and HK\$0.015 (1.1.2003 to 30.6.2003: HK\$0.02) per preference share to be paid on or before 31 August 2004 to the shareholders whose names appear on the Register of Members on 17 August 2004.

8. EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| Net profit for the period | 14,307 | 21,190 |
| Dividends on preference shares | (9,313) | (11,968) |
| | <u>4,994</u> | <u>9,222</u> |
| Earnings for the purposes of basic earnings per share | | |
| Effect of dilutive potential ordinary shares | | |
| – Dividends on convertible preference shares | N/A | 11,968 |
| | <u>N/A</u> | <u>21,190</u> |
| Earnings for the purposes of diluted earnings per share | | |
| | <u>N/A</u> | <u>21,190</u> |
| | Number of shares | |
| Weighted average number of ordinary shares | | |
| for the purposes of basic earnings per share | 352,544,465 | 182,544,465 |
| Effect of dilutive potential ordinary shares | | |
| – Convertible preference shares | N/A | 580,990,291 |
| | <u>N/A</u> | <u>580,990,291</u> |
| Weighted average number of ordinary shares | | |
| for the purposes of diluted earnings per share | N/A | 763,534,756 |
| | <u>N/A</u> | <u>763,534,756</u> |

Note: Assuming the full conversion of the convertible preference shares outstanding during the six months ended 30 June 2004 to reflect the effect of all potentially dilutive ordinary shares, the adjusted earnings and weighted average number of ordinary shares is approximately HK\$14,307,000 and 763,534,756, respectively, resulting in an increase in earnings per share for the period. Accordingly, no diluted earnings per share has been presented.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment amounting to approximately HK\$6,397,000. In addition, the Group disposed of certain of its property, plant and equipment with a carrying amount of approximately HK\$6,000 for nil consideration, resulting in a loss on disposal of approximately HK\$6,000.

10. TRADE AND OTHER RECEIVABLES

The Group's policy is to allow credit periods ranging from 30 days to 120 days (31 December 2003: 60 days to 120 days) to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet dates, prepared on the basis of sales invoice date:

| | 30 June 2004 HK\$'000 | 31 December 2003 HK\$'000 |
|--------------------|--------------------------------------|---------------------------------|
| Trade receivables: | | |
| 0 – 30 days | 34,012 | 27,268 |
| 31 – 60 days | 29,722 | 27,438 |
| 61 – 90 days | 9,097 | 6,783 |
| Over 90 days | 7,548 | 3,245 |
| | 80,379 | 64,734 |
| Other receivables | 3,656 | 2,578 |
| | 84,035 | 67,312 |

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet dates, prepared on the basis of supplier invoice date:

| | 30 June 2004 HK\$'000 | 31 December 2003 HK\$'000 |
|-----------------|--------------------------------------|---------------------------------|
| Trade payables: | | |
| 0 – 30 days | 30,294 | 25,532 |
| 31 – 60 days | 18,310 | 11,661 |
| 61 – 90 days | 11,204 | 5,143 |
| Over 90 days | 1,552 | 151 |
| | 61,360 | 42,487 |
| Other payables | 8,036 | 6,992 |
| | 69,396 | 49,479 |

12. BANK BORROWINGS

| | 30 June 2004 HK\$'000 | 31 December 2003 HK\$'000 |
|---------------------------|--------------------------------------|---------------------------------|
| Bank borrowings comprise: | | |
| Bank loans | 58,110 | 21,938 |
| Trust receipt loans | 17,355 | 11,941 |
| | 75,465 | 33,879 |

The bank borrowings are repayable as follows:

| | | |
|---|-----------------|----------|
| On demand or within one year | 36,270 | 20,716 |
| In the second year | 18,915 | 8,775 |
| In the third to fifth year inclusive | 20,280 | 4,388 |
| | 75,465 | 33,879 |
| Less: Amounts due for settlement within one year (shown under current liabilities) | (36,270) | (20,716) |
| Amounts due for settlement after one year | 39,195 | 13,163 |

13. SHARE CAPITAL

| | Number of shares | Amount <i>HK\$'000</i> |
|---|-----------------------------|----------------------------------|
| Authorised: | | |
| At 1 January 2004 and at 30 June 2004 | | |
| – Ordinary shares of HK\$0.01 each | 2,000,000,000 | 20,000 |
| – Non-redeemable convertible preference shares of HK\$0.01 each | <u>600,000,000</u> | <u>6,000</u> |
| | <u><u>2,600,000,000</u></u> | <u><u>26,000</u></u> |
| Issued and fully paid: | | |
| At 1 January 2004 and at 30 June 2004 | | |
| – Ordinary shares of HK\$0.01 each | 352,544,465 | 3,526 |
| – Non-redeemable convertible preference shares of HK\$0.01 each | <u>423,320,000</u> | <u>4,233</u> |
| | <u><u>775,864,465</u></u> | <u><u>7,759</u></u> |

14. CAPITAL COMMITMENTS

| | 30 June 2004 HK\$'000 | 31 December 2003 <i>HK\$'000</i> |
|---|--|--|
| Capital expenditure in respect of acquisition of property, plant and equipment: | | |
| – Contracted for but not provided in the financial statements | 13,679 | 5,502 |
| – Authorised but not contracted for | <u>32,450</u> | <u>–</u> |
| | <u><u>46,129</u></u> | <u><u>5,502</u></u> |

15. RELATED PARTY TRANSACTIONS

During the period, the Group entered into transactions with following fellow subsidiaries wholly owned by Nam Tai Electronics, Inc., the Group's ultimate holding company:

| Name of related party | Nature of transactions | Notes | Six months ended 30 June | |
|---|--|-------|--------------------------|------------------|
| | | | 2004 HK\$'000 | 2003 HK\$'000 |
| Namtai Electronic (Shenzhen) Co. Ltd. | Sales of finished goods by the Group | (i) | 1,908 | 2,920 |
| Nam Tai Group Management Limited ("NTGM") | Service fees paid by the Group | (ii) | 2,850 | 2,640 |
| Zastron Electronic (Shenzhen) Co. Ltd. | Sales of raw materials by the Group | (iii) | 25,511 | 5,656 |
| | Purchase of processed goods by the Group | (iii) | 34,264 | 5,782 |

Notes:

- (i) The transactions were carried out at terms determined and agreed by both parties.
- (ii) The Group entered into a business facilities agreement with NTGM, under which NTGM agreed to provide the Group with (i) office space furnished with office fittings, decorations, office equipment and furniture, and use of common areas; and (ii) certain office facilities, office services and outgoings, office equipment and utilities for a monthly service charge.
- (iii) The transactions were carried out in accordance with the relevant sale or purchase agreements signed in March 2003.

In the opinion of the directors, the above transactions were carried out in the normal course of the Group's businesses.



2004

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation. These reclassification had no effect on the net income or financial position for any period presented.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK\$0.015 per share. The interim dividend will be payable on or before 31 August 2004 to shareholders whose names appear on the Register of Members of the Company at the close of business on 17 August 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 16 August 2004 to 17 August 2004 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the above interim dividend, all transfer forms of the relevant share certificates must be lodged with the Company's registrars in Hong Kong: Computershare Hong Kong Investor Services Limited, Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 13 August 2004.



2004

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

Turnover for the six months ended 30 June 2004 was up by approximately 9% to HK\$186.9 million from HK\$171.8 million for the first six months of 2003. Gross profit for the first six months of 2004 was HK\$35.2 million, an increase of approximately 71% compared to gross profit of HK\$20.6 million for the first six months of 2003. Profit from operations for the first six months of 2004 was HK\$14.7 million, an increase of approximately 266% compared to profit from operations of HK\$4.0 million for the first six months of 2003. Net profit for the first six months in 2004 was HK\$14.3 million, a decrease of approximately 32% compared to net profit of HK\$21.2 million for the first six months of 2003. Basic earnings per share for the first six months of 2004 was 1.42 HK cents compared to basic earnings per share of 5.05 HK cents and diluted earnings per share of 2.78 HK cents for the first six months of 2003.

The Company's strategy of focusing on its liquid crystal display ("LCD") business has continued to show positive impact. However, if the Company only produces LCD panels, the Company may not be able to compete with its competitors. The Company must therefore provide more value-added services to its customers. At the request of customers, the Company has expanded its business into the production of chip on glass ("COG") products and LCD modules. The turnover of the LCD business of the Company has increased 56% from HK\$119.8 million to HK\$186.9 million for the first six months of 2004. Putting aside the gain from the disposal of the Company's transformer business in June 2003, the profit from operations for the first six months of 2004 has increased 266% from HK\$4.0 million in 2003 to HK\$14.7 million. Such encouraging result is attributed to our diversification of LCD products and customers. The Company will follow this trend and will provide more advanced LCD products and value-added services to satisfy customers' requests.



2004

The Company has installed 4 sets of COG machines in the second quarter and they are running at full capacity. The Company has also commenced delivery of colour super twisted nematic ("CSTN") LCD panels to customers. The Company will continue to explore business opportunities on both CSTN panels and related modules.

Future Prospects

The Company has already obtained the relevant environmental licence for its newly leased factory premises. The Company will commence the factory relocation in October this year. The factory relocation will take approximately 3 months in order to minimise any disturbance to the operation. The new factory, which doubles the size of the current factory, will provide room for future expansion of the production capacity of the Company.

Thanks for the support from our controlling shareholder, Nam Tai Electronics, Inc. ("Nam Tai"). The learning period of the Company on COG technology is shorter than expected. We are able to achieve a yield rate for our COG products of over 98%. In view of the demand from customers for LCD modules, the Company will acquire and install further COG machines to increase its production capacity on LCD modules.

Building on the success of the Company on its LCD panel business and strong relationship with customers, the management has confidence in expanding the business of the Company on LCD modules. Despite keen market competition, the management believes that there is still room to improve its profit margin. The management will work hard towards this target but the same also depends on market conditions.



2004

Liquidity and Financial Resources

The Company continues to maintain a sound financial position during the interim period of 2004, with 14.1 HK cents (June 2003: 15.1 HK cents) of cash per share and 38.7 HK cents (June 2003: 76.2 HK cents) of net asset per share based on 352,544,465 (June 2003: 182,544,465) issued ordinary shares. The Company had, as at 30 June 2004, a cash to current liabilities ratio of 0.45 (June 2003: 0.37), a current ratio of 1.66 (June 2003: 1.69), a total assets to total liabilities ratio of 1.92 (June 2003: 2.51), and approximately HK\$49.6 million (June 2003: HK\$27.6 million) of bank balances and cash.

The Company's gearing ratio, which was calculated on the basis of total bank borrowings to the shareholders' equity, increased from 0.25 as at 30 June 2003 to 0.55 as at 30 June 2004. The rise in bank borrowings is attributed to increased trade finance for growing sales as well as draw down for the plant relocation project. To date, banking facilities have been secured to fund both the plant relocation and related factory expansion. As at 30 June 2004, the total bank borrowings of the Company amounted to HK\$75.5 million.

Since the Group usually conducts its business transactions in HK dollars and US dollars, and over 90% of the Group's cash is denominated in either HK dollars or US dollars, the Company and its subsidiaries do not have any material exposure to fluctuations in exchange rates, and there is no hedging requirement therefore.



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Staff and Employment

As at 30 June 2004, the Company employed a total of 1,891 employees.

The Company's remuneration policies, including both salaries and bonuses, are in line with the local practices where the Company and its subsidiaries operate. In addition to receiving salaries and bonuses, employees are also entitled to other benefits, including medical subsidies and participation in retirement benefits schemes. The Company follows a policy of encouraging its subsidiaries to send their staff to attend training classes or seminars that are related directly or indirectly to the Company's businesses.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2004.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2004, the interests or short positions of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or

deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules, were as follows:

The Company

As at 30 June 2004, none of the Directors held any shares in the issued share capital of the Company.

Associated Corporation

| Name of Company | Name of Director | Personal Interests | Family Interests | Corporate Interests | Other Interests | Total |
|----------------------|----------------------------------|------------------------|------------------|---------------------|-----------------|-----------|
| Nam Tai ¹ | Li Shi Yuen, Joseph ² | 78,870 | – | 2,935,087 | – | 3,013,957 |
| | Chui Kam Wai ² | 45,870 | – | 2,935,087 | – | 2,980,957 |
| | Koo Ming Kown | 5,880,386 ³ | – | – | – | 5,880,386 |
| | Tadao Murakami | 1,849,225 | – | – | – | 1,849,225 |
| | Leung Wai Hung | 10,600 | – | – | – | 10,600 |

Note:

- Nam Tai holds 74.86% shareholding of the Company as at 30 June 2004.
- Mr. Li Shi Yuen, Joseph (“Mr. Li”) and Mr. Chui Kam Wai (“Mr. Chui”) are the beneficial owners of the entire issued share capital of Li & Chui Holdings (B.V.I.) Limited (“Li and Chui”). Each of them holds 50% interest in Li & Chui. Li & Chui holds 2,935,087 common shares of Nam Tai and Mr. Li and Mr. Chui are deemed to be interested in the same number of shares held by Li & Chui by virtue of the SFO.



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3. 4,880,386 common shares of US\$0.01 each in Nam Tai are owned by Mr. Koo Ming Kown and Ms. Cho Sui Sin (spouse of Mr. Koo Ming Kown) jointly.

All the interests disclosed above represent long position in the shares of the Company and its associated corporations.

Save as disclosed above, the Company has not been notified by any person (other than the Directors or Chief Executive of the Company) who had interests or short positions in the shares or underlying shares of the Company or any of its associated corporations which would have to be disclosed to the Company and the Stock Exchange under the provisions of the Listing Rules or Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 352 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the headings "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Share Option Scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its fellow subsidiaries or subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Director or Chief Executive of the Company, as at 30 June 2004, shareholders who had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO were as follows:

| Name | Number of ordinary shares held | Number of preference shares held |
|-------------|---------------------------------------|---|
| Nam Tai | 263,900,688 ¹ | 423,320,000 ² |

All the interests disclosed under this Section represent long position in the shares of the Company.

Save as disclosed above, the Company has not been notified by any person (other than the Directors or Chief Executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.



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Notes:

1. Nam Tai held 136,500,688 ordinary shares of the Company as at 31 December 2002. During the year of 2003, Nam Tai disposed of 42,600,000 ordinary shares and was allotted 170,000,000 ordinary shares pursuant to its exercise of conversion rights in respect of 175,100,000 preference shares of the Company. As a result, Nam Tai held 263,900,688 ordinary shares as at 31 December 2003. Nam Tai had not disposed and was not allotted any ordinary shares during the period for the six months ended 30 June 2004.
2. Nam Tai held 598,420,000 preference shares of the Company as at 31 December 2002. During the year of 2003, Nam Tai exercised its right to convert 175,100,000 preference shares of the Company to ordinary shares of the Company and as a result, as at 31 December 2003, Nam Tai held 423,320,000 preference shares of the Company. Nam Tai had not exercised its right to convert any preference shares to ordinary shares during the period for the six months ended 30 June 2004. Such preference shares of the Company are convertible into ordinary shares of the Company at the conversion ratio of 1.03 preference shares to 1 ordinary share provided that no holder of preference shares shall be entitled to exercise the conversion rights if as a result, the minimum prescribed percentage of ordinary shares in "public hands" as prescribed in the Listing Rules is not satisfied.

SHARE OPTION SCHEME

In April 2002, a share option scheme ("the Scheme") was approved under which the directors may, at their discretion, invite full time employees including executive directors of the Company to take up options to subscribe for shares of the Company subject to the terms and conditions stipulated therein.

No option has been granted by the Company under the Scheme since its adoption.



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CODE OF BEST PRACTICE AND MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Code of Best Practice ("Code of Best Practice") as set out in Appendix 14 of the Listing Rules.

None of the directors is aware of any information that would reasonably indicate that the Company or any of its directors is not or was not in compliance with the Model Code or the Code of Best Practice for any part of the period ended 30 June 2004.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirement of the Code of Best Practice for the purposes of reviewing and providing supervision over the Group's financial reporting matters and internal controls. The audit committee comprises Mr. Cham Yau Nam and Mr. Leung Wai Hung, two Independent Non-executive Directors of the Company. At the board meeting held on 30 July 2004, Mr. Cheng Chi Heng was appointed as an additional member of the audit committee. The Group's financial statements for the six months ended 30 June 2004 have been reviewed by the committee. The committee is of the opinion that such statements complied with the applicable accounting standard, and that adequate disclosures have been made.



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MEMBERS OF THE BOARD OF DIRECTORS

As at the date of this Report, the members of the Board are as follows:—

Executive Directors:

Seitaro Furukawa

Li Shi Yuen, Joseph

Chui Kam Wai

Non-Executive Directors:

Koo Ming Kown

Tadao Murakami

Wong Toe Yeung

Independent Non-Executive Directors:

Cham Yau Nam

Leung Wai Hung

Cheng Chi Heng

By order of the Board

Wah Wang Kei, Jackie

Company Secretary

Hong Kong, 30 July 2004