

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated on 5 July 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is an investment holding company.

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 3 March 2003.

The condensed 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 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 investment properties and investment in securities.

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

3. SEGMENT INFORMATION

The Group's primary format for reporting segment information is business segments:

For the six months ended 30 June 2004

	Distribution of semiconductors HK\$'000	Development and provision of electronic turnkey device solutions HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue				
External sales	197,291	28,314	—	225,605
Inter-segment sales	328	3,787	(4,115)	—
	197,619	32,101	(4,115)	225,605
Segment results	3,614	1,325	—	4,939
Unallocated corporate revenue				788
Profit from operations				5,727
Finance costs				(2,294)
Profit before taxation				3,433
Taxation				(128)
Profit before minority interests				3,305
Minority interests				(23)
Profit for the period				3,282

3. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2003

	Distribution of semiconductors HK\$'000	Development and provision of electronic turnkey device solutions HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue				
External sales	147,303	7,810	—	155,113
Inter-segment sales	298	2,587	(2,885)	—
	<u>147,601</u>	<u>10,397</u>	<u>(2,885)</u>	<u>155,113</u>
Segment results	<u>4,563</u>	<u>(2,280)</u>	<u>—</u>	<u>2,283</u>
Unallocated corporate revenue				<u>218</u>
Profit from operations				<u>2,501</u>
Finance costs				<u>(1,721)</u>
Profit before taxation				<u>780</u>
Taxation				<u>—</u>
Profit before minority interests				<u>780</u>
Minority interests				<u>(11)</u>
Profit for the period				<u>769</u>

4. OTHER OPERATING INCOME

	Six months ended	
	30.6.2004 HK\$'000	30.6.2003 HK\$'000
Commission income	5	270
Compensation income	771	287
Interest income	10	218
Management service income	53	48
Programming income	85	23
Release of negative goodwill	41	49
Rental income	131	45
Sundry income	494	850
	1,590	1,790

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	Six months ended	
	30.6.2004 HK\$'000	30.6.2003 HK\$'000
Amortisation of goodwill included in general and administrative expenses	323	388
Amortisation of Technology know-how included in selling and distribution costs	1,365	—
Depreciation and amortisation of property, plant and equipment	552	518
Loss on disposal of property, plant and equipment	2	364

6. FINANCE COSTS

	Six months ended	
	30.6.2004 HK\$'000	30.6.2003 HK\$'000
Interest on bank borrowings wholly repayable within five years	1,521	1,324
Interest on other borrowings	766	394
Charges on finance leases	7	3
	2,294	1,721

7. TAXATION

	Six months ended	
	30.6.2004 HK\$'000	30.6.2003 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current period	188	—
Deferred taxation		
Current period	(60)	—
	128	—

No provision for Hong Kong Profits Tax had been made in the financial statements for the six months ended 30 June 2003 as there was no assessable profit for the prior period.

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

8. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2004.

Interim dividend in respect of 2002 amounting to HK\$10,000,000 was paid during the six months period ended 30 June 2003.

9. EARNINGS PER SHARE

The calculations of the basic earnings per share for the period ended 30 June 2004 and 30 June 2003 are based on the profit for the period of HK\$3,282,000 (2003: HK\$769,000) and on 448,000,000 (2003: 380,000,000) weighted average shares for the purpose of basic earnings per share.

10. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group's investment properties were valued at their open market value at 31 December 2003 by Surpass Company Limited, an independent valuer, on an open market value basis.

The directors have considered the carrying value of the Group's investment properties at 30 June 2004 would not materially differ from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

During the period, the Group acquired additional plant and equipment at costs of approximately HK\$246,000 for its business operation and expansion.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing average credit period of 14 to 90 days to its trade customers. For certain customers with long-established relationship and good past settlement histories, a longer credit period may be granted.

An aged analysis of trade debtors is as follows:

	30.6.2004	31.12.2003
	HK\$'000	HK\$'000
Within 30 days	21,626	22,656
Between 31 to 60 days	24,478	14,700
Over 60 days	38,046	62,067
	84,150	99,423
Other debtors, deposits and prepayments	24,229	23,127
	108,379	122,550

12. CREDITORS AND ACCRUED CHARGES

An aged analysis of the trade creditors is as follows:

	30.6.2004 HK\$'000	31.12.2003 HK\$'000
Within 30 days	23,372	26,398
Between 31 to 60 days	7,273	16,282
Over 60 days	2,973	2,212
	33,618	44,892
Other creditors and accrued charges	24,834	27,972
	58,452	72,864

Included in other creditors and accrued charges are other borrowings which were interest bearing of HK\$8,483,000 as at 30 June 2004 (31 December 2003: HK\$17,866,000).

13. DEFERRED TAXATION

At 31 December 2003, the Group had deferred tax liability of HK\$60,000 in respect of the tax effect on temporary differences attributable to accelerated tax depreciation.

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each:		
Authorised	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2003	1,000,000	100
Issue of shares upon the placing and public offer	60,000,000	6,000
Capitalisation issue	339,000,000	33,900
At 31 December 2003	400,000,000	40,000
Issue of shares upon the placing and subscription	73,000,000	7,300
At 30 June 2004	473,000,000	47,300

14. SHARE CAPITAL (Continued)

The following changes in the share capital of the Company took place during the period from 5 January 2003 to 30 June 2004:

- (a) On 25 February 2003, 60,000,000 new ordinary shares of the Company of HK\$0.1 each were issued at HK\$0.5 per share for cash through an initial public offering by way of placing and public offer. On the same date, 339,000,000 ordinary shares of HK\$0.1 each were allotted and issued, credited as fully paid at par, to the holders of shares of the Company on the register of members at the close of business on 12 February 2003 in proportion to their existing holding by way of capitalisation of the sum of HK\$33,900,000 standing at the credit of the share premium account of the Company.
- (b) On 20 February 2004, a placing and subscription agreement ("Agreement") was entered into between the Company, Best Eagle International Ltd. ("Best Eagle"), a substantial shareholder of the Company, and an independent placing agent. Pursuant to the Agreement, Best Eagle agreed to place through the placing agent not less than 60,000,000 shares and up to 80,000,000 shares at the price of HK\$0.138 per placing share and Best Eagle would subscribe for the same number of shares sold under the placing at the same price of HK\$0.138 per share. The subscription was completed on 4 March 2004 and a total of 73,000,000 shares have been placed and subscribed.

15. CONTINGENT LIABILITY

At 30 June 2004, the Group had contingent liability arising from bills of exchange discounted with recourse amounting to approximately HK\$14.5 million (2003: HK\$2.2 million).

16. PLEDGE OF ASSETS

The Group pledged the following assets to secure general banking facilities at the balance sheet date:

	30.6.2004 HK\$'000	31.12.2003 HK\$'000
Bank deposits	18,370	20,583
Investment in securities	3,019	2,964
Investment properties	1,575	1,575
Leasehold land and buildings	6,021	6,097
	28,985	31,219