

# **BILIN**

Galaxy Semi-Conductor Holdings Limited

銀河半導體控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 527)

Interim Report 2008



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## COMPANY INFORMATION

Company Name: Galaxy Semi-Conductor Holdings Limited  
Place of listing: The Stock Exchange of Hong Kong Limited  
Stock Code: 00527

### Executive Directors

Mr. Yang Senmao (*Chairman*)  
Mr. Yue Lian  
Mr. Xu Xiaoping

### Non-executive Directors

Mr. Meng Quanda  
Mr. Shiu Kit  
Mr. Dong Renhan

### Independent Non-executive Directors

Ms. Wong Wai Ling  
Mr. Ni Tongmu  
Mr. Shu Mingding

### Audit Committee

Ms. Wong Wai Ling (*Chairman*)  
Mr. Ni Tongmu  
Mr. Shu Mingding

### Remuneration Committee

Mr. Yang Senmao (*Chairman*)  
Ms. Wong Wai Ling  
Mr. Ni Tongmu  
Mr. Shu Mingding

### Qualified Accountant and Company Secretary

Mr. Cheng Koon Kau Alfred

### Authorised Representatives

Mr. Yang Senmao  
Mr. Cheng Koon Kau Alfred

## COMPANY INFORMATION

### Principal Bankers

*In Hong Kong:*

Oversea-Chinese Banking Corporation Limited

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

DBS Bank (Hong Kong) Limited

*In the Peoples' Republic of China (the "PRC") :*

Bank of China Limited

Agricultural Bank of China

The Credit Cooperatives Union of the Xinbei District, Changzhou Sanjing Credit Cooperative

### Registered Office

Clifton House

75 Fort Street

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

### Principal Place of Business in Hong Kong

Room G, 50th Floor, Office Tower 1

Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

### Company Website

[www.galaxycn.com](http://www.galaxycn.com)

### Legal Advisers

Loong & Yeung

Suites 2201-2203

22nd Floor, Jardine House

1 Connaught Place

Central

Hong Kong

## COMPANY INFORMATION

### **Auditors**

KPMG  
Certified Public Accountants, Hong Kong  
8th Floor, Prince's Building  
10 Chater Road, Central  
Hong Kong

### **Principal Share Registrar and Transfer Office in the Cayman Islands**

Appleby Corporate Services (Cayman) Limited  
Clifton House  
75 Fort Street  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

### **Hong Kong Branch Share Registrar and Transfer Office**

Tricor Investor Services Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

## SUMMARY OF FINANCIAL RESULTS

Below is a summary of the unaudited condensed results for the six months ended 30 June 2008 and the relevant audited/unaudited comparative figures in prior corresponding period:

	<b>For the six months ended 30 June</b>			
	<b>2008</b>	2007	Increase/ (decrease)	Change in percentage
	<b>RMB'000</b>	RMB'000	RMB'000	%
	<b>(unaudited)</b>	(unaudited)		
Turnover	<b>193,647</b>	177,364	16,283	9.18
Gross profit	<b>34,009</b>	37,176	(3,167)	(8.52)
Operating profits	<b>21,246</b>	19,990	1,256	6.28
Profit before income tax	<b>16,055</b>	16,276	(221)	(1.36)
Profit for the period	<b>14,573</b>	13,792	781	5.66
Attributable to:				
Equity holders of the company	<b>14,573</b>	14,224	349	2.45
Minority interests	–	(432)	432	(100.00)
	<b>As at 30 June 2008</b>	As at 31 December 2007	Increase/ (decrease)	Change in percentage
	<b>RMB'000</b>	RMB'000	RMB'000	%
	<b>(unaudited)</b>	(audited)		
Net cash (note)	<b>(125,143)</b>	(112,797)	(12,346)	10.95
Net assets	<b>263,703</b>	247,706	15,997	6.46
Net debt to capital ratio	<b>79.77%</b>	83.51%		(3.74)

Note:

Net cash: Bank deposits and cash less bank borrowings

## CHAIRMAN'S STATEMENT

To the Shareholders:

On behalf of Galaxy Semi-Conductor Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), I hereby present the operating results and the interim report of the Company for the period ended 30 June 2008.

In the first half of the financial year 2008, unaudited turnover of the Group was RMB193,647,000, representing an increase of 9.18% compared with the corresponding period of 2007. Profit attributable to equity holders of the Company amounted to RMB14,573,000, representing an increase of 2.45% compared with the same period of 2007. Basic earnings per share was RMB0.036, comparable with that in the same period of 2007.

The Group expects, in the second half of the year, while unfavourable factors including intense competition, increasing labour cost and appreciation of Renminbi persist, orders from domestic and overseas customers will increase and sales of new products such as micro surface mount components will further improve. In the second half of the year, we will strive to maintain a stable business development by consistently developing new products, reinforcing sales and marketing, maximizing production capacity, exploring further opportunities to diversify the business and enhancing corporate governance.

Lastly, on behalf of the board of directors (the "Board"), I would like to take this opportunity to express our gratitude to our shareholders, investors and business partners for their confidence in and support rendered to the Group, and to the management and all staff for their continuous efforts and contributions.

**Yang Senmao**

*Chairman*

Hong Kong, 22 September 2008

## 1. Financial Review

Galaxy Semi-Conductor Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") are leading diodes manufacturers and the largest rectifier manufacturer in the PRC and its operations are mainly conducted through its six PRC subsidiaries, namely Changzhou Galaxy Electrical Co., Ltd. ("Galaxy Electrical"), Changzhou Galaxy Semiconductor Co., Ltd. ("Galaxy Semiconductor"), Changzhou Galaxy Technology Developing Co., Ltd. ("Galaxy Technology"), Changzhou Galaxy Hi-New Electric Parts Co., Ltd. ("Galaxy Hi-New"), Changzhou Galaxy Century Micro-Electronics Co., Ltd. ("Galaxy Micro-Electronics") and Taizhou Galaxy Huanyu Semi-conductor Co., Ltd. ("Galaxy Huanyu").

The principal operations of Galaxy Electrical, Galaxy Hi-New and Galaxy Huanyu are design, development, manufacturing and sale of different types of diodes. The principal operations of Galaxy Micro-Electronics are design, development, manufacturing and sale of micro surface mount plastic-packaged components (including diodes and transistor) ("micro components"). Galaxy Semiconductor and Galaxy Technology are principally engaged in design, development, manufacturing and sale of diode wafers, which are mainly used by the Group for production of diodes.

### Turnover

Turnover for the period ended 30 June 2008 was approximately RMB193,647,000. It represented a growth of approximately 9.18% when compared with the turnover of approximately RMB177,364,000 in the corresponding period of last year.



## MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of the Group's turnover by geographical region and by product type for the period ended 30 June 2008 is set out below:

*By geographical region*

	For the six months ended 30 June					
	2008		2007		Increase/	Change in
	<i>RMB</i> <i>million</i>	%	<i>RMB</i> <i>million</i>	%	(decrease) <i>RMB</i> <i>million</i>	percentage
	<i>(unaudited)</i>		<i>(unaudited)</i>			
The PRC <i>(note 1)</i>	<b>158.15</b>	<b>81.67</b>	157.18	88.62	0.97	0.62
Hong Kong and Korea <i>(note 2)</i>	<b>14.31</b>	<b>7.39</b>	8.08	4.56	6.23	77.10
Other countries and regions <i>(note 3)</i>	<b>21.19</b>	<b>10.94</b>	12.10	6.82	9.09	75.12
	<b><u>193.65</u></b>	<b><u>100.00</u></b>	<u>177.36</u>	<u>100.00</u>	<u>16.29</u>	<u>9.18</u>

*Notes:*

1. The PRC is the major market of the Group's products. The Group leverages on the advantages of its own brand-name and product quality, and as at 30 June 2008, the Group had over 1,300 customers in the PRC.
2. Hong Kong and Korea are the major overseas markets of the Group's products. The Group will strive to explore commercial opportunities through continuous participation in exhibitions in overseas regions such as Hong Kong and Korea.
3. Other countries and regions include Thailand, Taiwan, US, Italy, Canada, Germany, Spain and France. Sales in such countries and regions continued to grow due to the Group's efforts in exploring other overseas markets through commercial advertisements and participations in exhibitions.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Turnover by product type

	For the six months ended 30 June					
	2008		2007		Increase/ (decrease)	Change in percentage
	<i>RMB</i> million ( <i>unaudited</i> )	%	<i>RMB</i> million ( <i>unaudited</i> )	%	<i>RMB</i> million	%
Plastic packaged diodes ( <i>note 1</i> )	<b>135.14</b>	<b>69.78</b>	141.67	79.88	(6.53)	(4.61)
Glass packaged diodes ( <i>note 2</i> )	<b>8.23</b>	<b>4.25</b>	8.46	4.77	(0.23)	(2.72)
Bridge rectifiers ( <i>note 3</i> )	<b>4.08</b>	<b>2.11</b>	5.72	3.23	(1.64)	(28.67)
Surface mount device packaged diodes ( <i>note 4</i> )	<b>46.19</b>	<b>23.85</b>	21.45	12.09	24.74	115.34
Others ( <i>note 5</i> )	<b>0.01</b>	<b>0.01</b>	0.06	0.03	(0.05)	(83.33)
	<b><u>193.65</u></b>	<b><u>100.00</u></b>	<u>177.36</u>	<u>100.00</u>	<u>16.29</u>	<u>9.18</u>

#### Notes:

1. Plastic packaged diodes are the Group's major products. For the period ended 30 June 2008, both the sales and its proportion to total sales slightly dropped because more sales efforts were allocated to boost the sales of surface mount device plastic packaged diodes.
2. Both the sales of glass packaged diodes and its proportion to total sales for the period ended 30 June 2008 were comparable with that for the period ended 30 June 2007.
3. The sales of bridge rectifiers for the period ended 30 June 2008 were comparable with that for the period ended 30 June 2007.
4. Surface mount device plastic packaged diodes are miniaturized diodes under key development by the Group. Through the expansion of its customer base and the increase in operation of Galaxy Micro-Electronics in the first half of 2008, the Group's sales of such products showed a rapid growth.
5. This refers to processing fees received from other factories in respect of the processing of mono-crystal silicon into wafers.

### **Cost of sales**

Cost of sales mainly includes raw materials, wages, water, electricity, gas and other ancillary materials. Cost of sales for the period ended 30 June 2008 represented approximately 82.44% of the turnover, with an increase of approximately 3.4%, when compared with approximately 79.04% for the period ended 30 June 2007. The increase in the cost of sales included the increase in the cost of the Group's major raw materials and wages.

### **Gross profit**

The Group's gross profit margin for the period ended 30 June 2008 was approximately 17.56%, with a drop of approximately 3.4%, when compared with approximately 20.96% for the period ended 30 June 2007. The drop in the gross profit margin was mainly because the increase in the cost of sales as discussed above outweighed the increase in selling price of the Group's products.

### **Other revenue**

Other revenue mainly comprised income generated by the sale of scrap material and sub-products (30 June 2008: approximately RMB340,000; 30 June 2007: approximately RMB1,330,000), interest income from bank deposits (30 June 2008: approximately RMB240,000; 30 June 2007: approximately RMB190,000), income recognized on write back of trade and other payables (30 June 2008: approximately RMB590,000; 30 June 2007: RMB nil) and the tax refund for reinvestment (30 June 2008: approximately RMB2,930,000; 30 June 2007: RMB nil). The increase in other revenue is mainly attributable to the fact that the drop in the sale of scrap material and sub-products was offset by the increase in the tax refund for reinvestment.

### **Distribution costs**

Distribution costs mainly included commission expenses for sales and distribution activities, wages and salaries of sales personnel and transportation costs.

Distribution costs for the period ended 30 June 2008 represented approximately 3.24% of the total turnover, showing an increase when compared with 2.66% for the period ended 30 June 2007, mainly due to the intense market competition that more resources were allocated to selling activities.

### Administration expenses

Administration expenses mainly included wages, salaries and welfare expenses, provisions for bad debt, depreciation expenses of office equipment and office and entertainment expenses.

Administration expenses for the period ended 30 June 2008 amounted to approximately RMB10,880,000, showing a significant drop when compared with approximately RMB13,930,000 for the period ended 30 June 2007.

Items contributing to the drop in administrative expenses are as follows: the exchange gain increased by RMB3,320,000 (30 June 2008: approximately RMB3,200,000; 30 June 2007: approximately RMB(120,000)). With the improvement of credit procedure, the provision of bad debt written off also decreased correspondingly by RMB610,000 (30 June 2008: approximately RMB400,000; 30 June 2007: approximately RMB1,010,000). Office and entertainment expenses dropped by RMB880,000 (30 June 2008: approximately RMB1,660,000; 30 June 2007: approximately RMB2,540,000).

However, the decrease in the above expenses was offset by the increase in the following expenses: Salaries and benefits of management staff increased by approximately RMB670,000 (30 June 2008: approximately RMB6,390,000; 30 June 2007: approximately RMB5,720,000). Also, legal and other professional expenses increased by RMB580,000 as a result of engagement for the Acquisition (as defined in the paragraph headed "Acquisition and disposal" below). Due to the Group's expansion, other administrative expenses increased correspondingly by RMB510,000.

### Finance costs

Finance costs refer to interest expenses for bank loans obtained by the Group.

Interest expenses for the period ended 30 June 2008 were approximately RMB5,190,000 while those for the period ended 30 June 2007 were approximately RMB3,710,000. The increase in finance costs was due to the increase in average bank loans for financing operations for the period ended 30 June 2008 compared with that for the period ended 30 June 2007.

### Taxation

The effective tax rate decreased from approximately 15.26% for the period ended 30 June 2007 to approximately 9.23% for the period ended 30 June 2008. The decrease in effective tax rate was mainly because more profit is generated from the Group companies which are entitled to tax-free period of PRC enterprise income tax than the Group companies subject to taxation compared with that for the period ended 30 June 2007.

### **Net profit for the period**

The net profit margin for the period ended 30 June 2008 was comparable with that for the period ended 30 June 2007.

### **Net current assets**

The net current assets of the Group as at 30 June 2008 amounted to approximately RMB 112,870,000 which approximated to that of the previous year (31 December 2007: approximately RMB113,300,000).

### **Liquidity and financing**

The balances of deposits at banks as at 30 June 2008 and 31 December 2007 amounted to approximately RMB51,990,000 which comprised RMB47,437,000, USD337,000 and HK\$2,539,000 and approximately RMB45,090,000, respectively.

As at 30 June 2008, the total amount of borrowings by the Group was approximately RMB175,230,000 representing an increase of approximately RMB19,860,000 compared with the balance outstanding as at 31 December 2007. RMB148,850,000 of the above borrowings was short term bank loan due within one year and RMB26,380,000 thereof was long term bank loan due after one year.

The Group repaid its debt mainly through the steady recurrent cash-flows generated by its operations. The Group's gearing ratio dropped to approximately 50.27% as at 30 June 2008 from approximately 51.57% as at 31 December 2007. That ratio was computed by dividing the Group's total liabilities by total assets.

As at 30 June 2008, all of the Group's borrowings were settled in Renminbi and Hong Kong dollars. Approximately 80% of the Group's income was denominated in Renminbi and the remaining approximately 20% was denominated in Hong Kong dollars and US dollars. The borrowings of the Group are fixed-rate and floating-rate loans, which amounted to RMB75,000,000 and RMB100,230,000 respectively.

The Group had not engaged in any currency hedging facility for the period ended 30 June 2008 and up to the date of this report as the Board considered that the cost of any hedging facility would be higher than the potential risk of the costs incurred from currency fluctuation.

The Group's overall financial and funding policies were aimed to control foreign exchange fluctuations and interest rate fluctuations in individual transactions.

### **Acquisition and disposal**

On 20 June 2008 and 18 August 2008, the Group entered into a share transfer agreement and a supplemental agreement, respectively, with independent third parties to indirectly acquire 90% equity interest in a PRC company principally engaged in real estate development in the PRC at a consideration of HK\$120,000,000 (the "Acquisition"). Details of the Acquisition are set out in the circular of the Company dated 27 August 2008. The Group entered into a termination deed with the relevant parties to terminate the Acquisition with immediate effect on 22 September 2008, details of which are set out in the announcement of the Company dated 22 September 2008.

### **Pledge of assets**

As at 30 June 2008, the Group had pledged assets comprising land and buildings with net book values of approximately RMB26,560,000 (31 December 2007: approximately RMB27,050,000), as security for the bank loans obtained by the Group.

### **Contingent liabilities**

For the period and year ended 30 June 2008 and 31 December 2007, the Group had no material contingent liabilities.

### **Employees**

As at 30 June 2008, the Group had approximately 2,500 full-time employees in Hong Kong and the PRC, including 2,000 employees provided by employment agents, responsible for management, administration and production. For the period ended 30 June 2008, the relevant employee costs (including Directors' remuneration) were approximately RMB26,180,000 (30 June 2007: approximately RMB20,910,000). The Group ensured that the remuneration of employees was attractive and bonuses were given based on the performance of the employees in accordance with the general standards of the Group's salary policies.

## 2. Business Review

In the first half of 2008, the Group's business grew steadily. For the period ended 30 June 2008, the Group's turnover amounted to approximately RMB193,647,000, representing an increase of approximately 9.18% compared with the same period of the previous year. Gross profit was approximately RMB34,009,000, representing a decrease of 8.52% compared with the same period of the previous year, primarily due to intense competition and increase in operating costs, especially the cost of major raw materials and increase in wages. Profit attributable to equity holders was approximately RMB14,573,000, representing an increase of 5.66% as compared with the same period of 2007.

During the period, sales of plastic-packaged diodes in the PRC market remained to be the Group's major sources of income. For the period ended 30 June 2008, sales of various diodes in the PRC market and sales of plastic-packaged diodes reached approximately RMB158,150,000 and RMB135,140,000 respectively, accounting for approximately 81.67% and 69.78% of the total turnover.

In order to enhance production capacities and gradual adjustment to production distribution, Galaxy Micro-Electronics, after successful trial run in June of last year and gradual setting up of production facilities and equipment, is now capable of manufacturing nine different types of plastic-packaged SOD/SOT housed micro surface mount components, with monthly capacity exceeding 100,000,000 pieces. Also, the first middle and back-end production line for plastic-packaged diode of Galaxy Huanyu has formally commenced.

In order to consistently improve product composition and explore products with higher gross margin, the Group has speeded up the development and production of surface mount components. During the first six months of 2008, 692,000,000 pieces were produced, representing 21.21% of the total production volume of diodes, with an increase of 17% as compared with the same period of last year.

Moreover, Galaxy Electrical and Galaxy Semiconductor have been accredited as new-and-high technology enterprises by competent authority of Jiangsu Provincial Government and are thus entitled for the preferential rate of 15% for enterprise income tax.

### 3. Outlook

The Directors believe that operating environment in the second half of 2008 will be tougher mainly due to shrinking overseas demand as a result of U.S. sub prime crisis and a slow down in global economic growth. On the other hand, the implementation of more stringent macro economic policy by the PRC government and surging costs have started to rein in the rapid economic growth of the PRC. However, the Directors believe that market demand for semi-conductor diode will remain stable. With the Group's leading position in the PRC diode market, new orders from its local and overseas customers will pick up in the second half of the year and it is expected that product sales of the Group will steadily increase.

In face of such new challenges and opportunities, the Group will further adjust its business strategies by focusing on the research and development, manufacturing and sales of semi-conductor diode and exploration of potential business for growth. In the second half of the year, the Group will emphasize on the following aspects to achieve sustainable growth:

- The Group will closely monitor market changes, consistently explore products with higher gross margin, expand market share of surface mount device packaged diode and special diode, so as to stimulate a steady growth in the sales of core business.
- The Group will try to maximize the production capacity of Changzhou and Taizhou production bases. The production distribution will be adjusted to meet the increasing demand of customers.
- The Group will strive to enhance product quality while at the same time control production costs and administrative expenses.



## DISCLOSURE OF INTERESTS

### Interests of Directors and chief executives of the Company

As at 30 June 2008, save as disclosed below, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules:

#### *Long Position in the Shares*

<b>Name of director</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Mr. Yang Senmao (Mr. Yang)	Interest of controlled corporations ( <i>note</i> )	244,600,000	61.15%

*Note:* Mr. Yang is the beneficial owner of 60% of the issued shares in Rapid Jump Limited and his wholly-owned company namely Color Vision Limited owns 89.1% of the issued shares in Kalo Hugh Limited, and therefore Mr. Yang is deemed, or taken to be, interested in the 244,600,000 Shares which are beneficially owned by Rapid Jump Limited and Kalo Hugh Limited for the purposes of the SFO.

## DISCLOSURE OF INTERESTS

### Interests of shareholders discloseable pursuant to the SFO

Save as disclosed below, the Directors are not aware of any other person (other than a Director or chief executive of the Company) who, as at 30 June 2008, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO:

#### *Long Positions in the Shares*

<b>Name</b>	<b>Nature of interest</b>	<b>Number of Shares held/interested</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Rapid Jump Limited <i>(note 1)</i>	Beneficial owner	153,000,000	38.25%
Kalo Hugh Limited <i>(note 2)</i>	Beneficial owner	91,600,000	22.90%
Color Vision Limited <i>(note 2)</i>	Interest of a controlled corporation	91,600,000	22.90%
Ms. Zhang Jingru <i>(note 3)</i>	Interest of spouse	244,600,000	61.15%
Hero Lead Limited <i>(note 4)</i>	Beneficial owner	80,000,000	20.00%
Mr. Song Li <i>(note 4)</i>	Interest of a controlled corporation	80,000,000	20.00%
Good Label Trading Limited <i>(note 5)</i>	Beneficial owner	21,000,000	5.25%
Zhong Shan Company Limited <i>(note 5)</i>	Interest of a controlled corporation	21,000,000	5.25%

## DISCLOSURE OF INTERESTS

### Notes:

1. Rapid Jump Limited is beneficially owned by Mr. Yang as to 60%, and therefore Mr. Yang is deemed to be or regarded as being interested in these Shares which are beneficially owned by Rapid Jump Limited for the purposes of the SFO.

Mr. Yang, Mr. Xu Xiaoping (“Mr. Xu”) and Mr. Meng Quanda (“Mr. Meng”) hold 60%, 18% and 22% equity interest respectively in Rapid Jump Limited. Mr. Yang, Mr. Xu and Mr. Meng are the directors of Rapid Jump Limited.

2. Color Vision Limited owns 89.1% of the issued shares in Kalo Hugh Limited. Therefore Color Vision Limited is deemed, or taken to be, interested in the Shares which are beneficially owned by Kalo Hugh Limited for the purposes of the SFO. As Color Vision Limited is wholly owned by Mr. Yang, Mr. Yang is deemed, or taken to be, interested in the Shares which are beneficially owned by Kalo Hugh Limited for the purposes of the SFO.

Mr. Yue Lian owns 10.9% of the issued shares in Kalo Hugh Limited. Mr. Yang and Mr. Yue Lian are the directors of Kalo Hugh Limited. Mr. Yang is the sole director of Color Vision Limited.

3. Ms. Zhang Jingru is the spouse of Mr. Yang. Under the SFO, Ms. Zhang Jingru is deemed to be interested in all the Shares in which Mr. Yang is interested.

4. As at 30 June 2008, Hero Lead Limited was deemed, or taken to be interested in the 80,000,000 consideration shares that might be issued to it upon the completion of the Acquisition. Hero Lead Limited is wholly owned by Mr. Song Li (“Mr. Song”). Under the SFO, Mr. Song was deemed to be interested in all the Shares in which Hero Lead Limited was interested. The Group had entered into a termination deed with the relevant parties to terminate the Acquisition with immediate effect on 22 September 2008. As a result, as at the date of this report, both Hero Lead Limited and Mr. Song had no interest in the Shares.

5. Good Label Trading Limited is wholly owned by Zhong Shan Company Limited. Therefore, Zhong Shan Company Limited is deemed to be or regarded as being interested in 21,000,000 Shares which are beneficially owned by Good Label Trading Limited under the SFO. Zhong Shan Company Limited is wholly owned by 江蘇省人民政府 (Jiangsu Provincial People’s Government).

Mr. Yang Dawei and Mr. Cai Feiyun hold 96% and 4% legal interest in Zhong Shan Company Limited respectively for and on behalf of 江蘇省人民政府 (Jiangsu Provincial People’s Government).

## DISCLOSURE OF INTERESTS

### *Long Positions in the underlying Shares*

<b>Name</b>	<b>Nature of interest</b>	<b>Number of underlying Shares interested</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Hero Lead Limited <i>(note)</i>	Beneficial owner	86,000,000	21.50%
Mr. Song Li <i>(note)</i>	Interest of a controlled corporation	86,000,000	21.50%

*Note:* As at 30 June 2008, Hero Lead Limited was deemed or taken to be interested in the 86,000,000 option shares that might be issued to it pursuant to the promissory note to be issued under the Acquisition. Hero Lead Limited is wholly owned by Mr. Song Li ("Mr. Song"). Under the SFO, Mr. Song was deemed to be interested in all the Shares in which Hero Lead Limited was interested. The Group had entered into a termination deed with the relevant parties to terminate the Acquisition with immediate effect on 22 September 2008. As a result, as at the date of this report, both Hero Lead Limited and Mr. Song had no interest in the Shares.

Save as disclosed above, as at 30 June 2008, the Company had not been notified by any other person, other than Directors or chief executives of the Company, who had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

## CORPORATE GOVERNANCE

The Company has been committed to establishing and maintaining high standards of corporate governance practices and procedures. The corporate governance principles of the Company emphasize effective internal control, high transparency and accountability to all shareholders. The Board comprises nine members including three executive Directors, three non-executive Directors and three independent non-executive Directors. The Board will continue to review its practices from time to time in order to improve the Group's corporate governance to meet internationally recognised best practices.

### **Director's Compliance with the 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 to the Listing Rules. Specific enquiries have been made to all Directors, who have confirmed that they have complied with the required standard set out in the Model Code.

### **Compliance with the Code on Corporate Governance Practices**

For the six months ended 30 June 2008, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules.

## OTHER INFORMATION

### **Audit Committee**

The Company has established an audit committee. The audit committee comprises Ms. Wong Wai Ling, Mr. Ni Tongmu and Mr. Shu Mingding. The audit committee has discussed and reviewed the unaudited interim results for the six months ended 30 June 2008 and this interim report and discussed matters such as internal control and financial reporting matters of the Group.

### **Remuneration Committee**

The Company has set up a remuneration committee in accordance with the Code. Its members are Mr. Yang Senmao, Ms. Wong Wai Ling, Mr. Ni Tongmu and Mr. Shu Mingding.

### **Interim Dividend**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008.

### **Purchase, Sale or Redemption of Shares**

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the shares in the Company during the period.

### **Share Option Scheme**

For the period ended 30 June 2008, no options had been granted under the share option scheme operated by the Company and no options were outstanding, exercised, cancelled or lapsed during the period.

### **Material Acquisitions and Disposal of Subsidiaries and Associated Companies**

Apart from the Acquisition as set out in the paragraph headed "Acquisition and disposal" above and which was terminated by a termination deed dated 22 September 2008, during the period under review, there was no other material acquisition and disposal of subsidiaries and associated companies by the Group.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Unaudited Interim Results

The Directors are pleased to announce the unaudited condensed consolidated results for the six months ended 30 June 2008, together with the comparative figures for the corresponding period in 2007 as follows:

### Condensed Consolidated Income Statement

For the six months ended 30 June 2008

		For the six months ended 30 June	
		2008 RMB'000 (unaudited)	2007 RMB'000 (unaudited)
	Note		
Turnover	3	193,647	177,364
Cost of sales		(159,638)	(140,188)
Gross profit		34,009	37,176
Other revenue		4,393	1,463
Distribution costs		(6,277)	(4,720)
Administrative expenses		(10,879)	(13,929)
Profit from operations		21,246	19,990
Interest on bank borrowings wholly repayable within five years		(5,191)	(3,714)
Profit before taxation	4	16,055	16,276
Income tax	5	(1,482)	(2,484)
Profit for the period		14,573	13,792
Attributable to:			
Equity holders of the Company		14,573	14,224
Minority interests		–	(432)
Profit for the period		14,573	13,792
Earnings per share	7		
– Basic (RMB)		0.036	0.036

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Balance Sheet

As at 30 June 2008

		<b>As at 30 June 2008 RMB'000 (unaudited)</b>	As at 31 December 2007 RMB'000 (audited)
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>151,821</b>	147,389
Prepaid lease premium for land		<b>17,185</b>	17,366
Deferred tax assets		<b>1,633</b>	1,973
Deposit paid for acquisition of property, plant and equipment		<b>9,180</b>	9,730
		<b>179,819</b>	176,458
<b>Current assets</b>			
Inventories		<b>128,599</b>	131,497
Trade and other receivables	9	<b>169,844</b>	152,530
Amounts due from related companies		–	5,934
Pledged bank deposits over three months		<b>1,908</b>	2,519
Cash and cash equivalents		<b>50,085</b>	42,569
		<b>350,436</b>	335,049
<b>Current liabilities</b>			
Trade and other payables	10	<b>87,114</b>	96,575
Amounts due to related companies		<b>1,253</b>	7,802
Interest-bearing borrowings	12	<b>148,853</b>	116,038
Current taxation		<b>342</b>	1,333
		<b>237,562</b>	221,748



## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

		<b>As at 30 June 2008 RMB'000 (unaudited)</b>	As at 31 December 2007 RMB'000 (audited)
<b>Net current assets</b>		<b>112,874</b>	113,301
<b>Total assets less current liabilities</b>		<b>292,693</b>	289,759
<b>Non-current liabilities</b>			
Interest-bearing borrowings	12	<b>26,375</b>	39,328
Deferred tax liabilities		<b>2,615</b>	2,725
<b>NET ASSETS</b>		<b>263,703</b>	247,706
<b>EQUITY</b>			
Share capital	13	<b>4,080</b>	4,080
Reserves		<b>259,623</b>	243,626
<b>Total equity attributable to equity shareholders of the Company</b>		<b>263,703</b>	247,706
<b>TOTAL EQUITY</b>		<b>263,703</b>	247,706

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Combined Statement of Changes in Equity

	Share capital	Share premium	Special reserve	Statutory reserves	Other reserve	Translation reserve	Retained profits	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2006 (audited)	4,080	192,197	(82,562)	5,177	33,804	(1,272)	67,390	218,814	2,999	221,813
Profit for the period	-	-	-	-	-	-	14,224	14,224	(432)	13,792
Foreign currency translation differences	-	-	-	-	-	1,444	-	1,444	-	1,444
Dividends to equity holders	-	-	-	-	-	-	(6,303)	(6,303)	-	(6,303)
Balance at 30 June 2007 (unaudited)	4,080	192,197	(82,562)	5,177	33,804	172	75,311	228,179	2,567	230,746
Profit for the period	-	-	-	-	-	-	22,607	22,607	(769)	21,838
Acquisition of minority interest	-	-	-	-	(2,327)	-	-	(2,327)	(1,798)	(4,125)
Transfer to welfare funds	-	-	-	-	-	-	(213)	(213)	-	(213)
Transfer to reserves	-	-	-	2,519	-	-	(2,519)	-	-	-
Foreign currency translation differences	-	-	-	-	-	(571)	-	(571)	-	(571)
Dividends to equity holders	-	-	-	-	-	-	31	31	-	31
Balance at 31 December 2007 (audited)	4,080	192,197	(82,562)	7,696	31,477	(399)	95,217	247,706	-	247,706
Profit for the period	-	-	-	-	-	-	14,573	14,573	-	14,573
Foreign currency translation differences	-	-	-	-	-	1,424	-	1,424	-	1,424
Balance at 30 June 2008 (unaudited)	<u>4,080</u>	<u>192,197</u>	<u>(82,562)</u>	<u>7,696</u>	<u>31,477</u>	<u>1,025</u>	<u>109,790</u>	<u>263,703</u>	<u>-</u>	<u>263,703</u>

## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	For the six months ended 30 June	
	2008 <i>RMB'000</i> <i>(unaudited)</i>	2007 <i>RMB'000</i> <i>(unaudited)</i>
Net cash used in operating activities	<b>(1,901)</b>	(6,956)
Net cash used in investing activities	<b>(11,869)</b>	(33,117)
Net cash from financing activities	<b>19,862</b>	61,197
Effect of exchange rate changes on cash and cash equivalents	<b>1,424</b>	1,444
	<hr/>	<hr/>
Net increase in cash and cash equivalents	<b>7,516</b>	22,568
Cash and cash equivalents at beginning of period	<b>42,569</b>	33,045
	<hr/>	<hr/>
Cash and cash equivalents at end of period, represented by bank balances and cash	<b>50,085</b>	55,613
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Condensed Financial Statements

### 1. Basis of preparation

These unaudited consolidated interim financial statements for the six months ended 30 June 2008 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. These unaudited consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2007.

### 2. Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time some Interpretations (“HK(IFRIC) – INT”) (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2008. The adoption of the new HKFRSs has no material effect on how the results and financial position for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new and revised Hong Kong Accounting Standards (“HKAS”s) and Hong Kong Financial Reporting Standards (“HKFRS”s) or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of financial statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting conditions and cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business combinations <sup>2</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC)* – INT 13	Customer loyalty programmes <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008.

\* IFRIC represents the International Financial Reporting Interpretations Committee

## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. Turnover and segment information

The Group is engaged solely in the manufacture and sale of electrical products and operates in the PRC. All the identifiable assets and liabilities of the Group are located in the PRC. Accordingly, no business or geographical segment is presented.

### 4. Profit before taxation

	For the six months ended 30 June	
	2008 <i>RMB'000</i> <i>(unaudited)</i>	2007 <i>RMB'000</i> <i>(unaudited)</i>
Profit before taxation are stated net of:		
Director's emoluments (including retirement benefit plan contributions)	1,316	1,134
Other staff costs	23,771	19,111
Retirement benefit scheme contributions (excluding Directors)	1,097	665
Total staff costs	<u>26,184</u>	<u>20,910</u>
Impairment loss on trade receivables	396	1,010
Amortisation of prepaid lease premium for land	184	214
Cost of inventories recognised as an expense	159,638	140,188
Depreciation of property, plant and equipment	7,931	4,912
Loss of disposal of property, plant and equipment and after crediting:	53	20
Interest income	<u>241</u>	<u>188</u>

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 5. Income tax

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Taxation expenses include:		
PRC enterprise income tax	<b>1,252</b>	3,444
Deferred tax	<b>230</b>	(960)
	<hr/>	<hr/>
Total	<b>1,482</b>	2,484
	<hr/> <hr/>	<hr/> <hr/>

No provision of Hong Kong Profits Tax had been made as the Group's profit neither arises in, nor is derived from, Hong Kong for both periods.

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or British Virgin Islands.

Galaxy Electrical is recognised as high-technology companies and located in high-technology zone. According to the PRC tax regulations, Galaxy Electrical is entitled to a preferential tax rate of 15% in both periods.

Galaxy Semiconductor is recognised as enterprise with advanced technology and is entitled to a preferential tax rate of 15% in 2008 and 10% in 2007 respectively.

Pursuant to the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises ("FEIT"), Galaxy Hi-New, Galaxy Technology and Galaxy Micro-Electronics are entitled to a tax holiday of a tax-free period for the first and second years and a 50% reduction in the income tax rate for the third to fifth years starting from the earlier of the year in which a taxable income is made after the offset of deductible losses incurred in prior years or 2008.

## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Galaxy Hi-New, Galaxy Technology and Galaxy Micro-Electronics are located in the coastal economic open zone and are entitled to a preferential income tax rate of 24% for both periods. Year 2007 is the first profit making year and year 2008 is the second tax-free year for Galaxy Hi-New. Therefore, no income taxes were provided for in both periods. The tax-free years for Galaxy Technology and Galaxy Micro-Electronics start in 2008 since Galaxy Technology and Galaxy Micro-Electronics sustained accumulated losses for 2007 and therefore no income taxes were provided for in both periods. The applicable income tax rate of Galaxy Huanyu is 25% in 2008 and 30% in 2007 respectively. As it sustained an accumulated loss, no income tax was provided for in both periods.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "new tax law") which has taken effect on 1 January 2008. As a result of the new tax law, higher income tax rate was reduced to 25% from 1 January 2008 and the preferential income tax rate will gradually increase to the standard rate of 25% over a five-year transition period after the enactment of the tax law. Except for Galaxy Huanyu, the applicable income tax rate to the Group's subsidiaries will gradually increase to 25% in the following 5 years.

### 6. Interim dividend

The Directors do not recommend the distribution of an interim dividend for the period ended 30 June 2008 (30 June 2007: Nil).

Dividends payable to equity shareholders of the Company attributable to previous financial year, approved and paid during the interim period:

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Final dividend paid for the year ended 31 December 2007 of RMB nil cents per ordinary share (for the year ended 31 December 2006: HK\$0.016 cents per ordinary share)	—	6,272
	<u>          </u>	<u>          </u>

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7. Earnings per share

	For the six months ended 30 June	
	2008 <i>(unaudited)</i>	2007 <i>(unaudited)</i>
Profit attributable to equity holders of the Company (RMB'000)	<u>14,573</u>	<u>14,224</u>
Number of issued ordinary shares (in '000 shares)	<u>400,000</u>	<u>400,000</u>
Earnings per share (RMB per share)	<u>0.036</u>	<u>0.036</u>

The calculation of the basic earnings per share for the period ended 30 June 2008 is based on the profit attributable to equity holders of the Company of approximately RMB14,573,000 (for the period ended 30 June 2007: approximately RMB14,224,000) and the number of 400,000,000 issued shares for both periods.

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence during the period.

## 8. Property, plant and equipment

For the period ended 30 June 2008, the Group acquired property, plant and equipment amounting to approximately RMB37,849,000 (for the period ended 30 June 2007: approximately RMB35,723,000).



## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 9. Trade and other receivables

The Group generally allows an average credit period of 90 days to 120 days to their trade customers.

The following is an ageing analysis of trade receivables as at each balance sheet date:

	<b>As at 30 June 2008 RMB'000 (unaudited)</b>	As at 31 December 2007 RMB'000 (audited)
Trade debtors and bills receivables	<b>163,965</b>	146,870
Less: allowance for doubtful debts	<b>(7,117)</b>	(6,722)
Other debtors	<b>12,996</b>	12,382
	<b>169,844</b>	152,530

Other debtors balances, including deposits and advances to third parties, are expected to be settled or recovered within one year.

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	<b>As at 30 June 2008 RMB'000 (unaudited)</b>	As at 31 December 2007 RMB'000 (audited)
Within three months	<b>140,442</b>	125,050
More than three months but within one year	<b>15,880</b>	14,118
More than one year	<b>526</b>	980
	<b>156,848</b>	140,148

The Directors consider that the carrying amount of trade and other receivables approximates its fair value.

## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 10. Trade and other payables

The following is an ageing analysis of trade payables as at each balance sheet date:

	<b>As at 30 June 2008 RMB'000 (unaudited)</b>	As at 31 December 2007 RMB'000 (audited)
Trade payables	<b>68,124</b>	66,214
Other payables and accruals	<b>13,826</b>	24,548
Advances from customers	<b>5,164</b>	5,813
	<b>87,114</b>	96,575

Included in trade and other payables are trade creditors with the following ageing analysis:

	<b>As at 30 June 2008 RMB'000 (unaudited)</b>	As at 31 December 2007 RMB'000 (audited)
Within three months	<b>52,739</b>	52,378
More than three months but within one year	<b>10,718</b>	10,910
More than one year	<b>4,667</b>	2,926
	<b>68,124</b>	66,214

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

The Directors consider that the carrying amount of trade and other payables approximates its fair value.

## 11. Operating lease commitments

As at 30 June 2008, the Group had commitments for future minimum lease payments under irrevocable operating leases in respect of rented equipment and property which fall due amounting to approximately RMB113,000 (30 June 2007: approximately RMB104,000).

## 12. Bank borrowings

As at 30 June 2008, the amount of the Group's bank borrowings increased to approximately RMB175,228,000 (31 December 2007: approximately RMB155,366,000), of which the secured bank borrowings secured by the buildings and the prepaid lease premium for land amounted to RMB75,000,000 (31 December 2007: RMB43,000,000).

The Group's bank borrowings included a syndicated bank loan that, in March 2007, the Company entered into an agreement (the "Facility Agreement") with a syndicate of banks and financial institution. The successfully raised syndicated bank loans amounted to HK\$120,000,000 (a term loan facility of up to HK\$60,000,000 and a revolving loan facility of up to HK\$60,000,000). The Facility Agreement imposes obligations on the Company to ensure that (i) Mr. Yang Senmao and Mr. Xu Xiaoping jointly shall, directly or indirectly, own not less than 40% of all issued voting shares of the Company; and (ii) Mr. Yang Senmao shall remain as the Chairman and Managing Director of the Company and shall maintain management control of the Company. The term of the Facility Agreement is 36 months commencing from the date of signing of the Facility Agreement. The syndicated bank loan was used for general working capital and expansion of the Group's production.

## 13. Share capital

<b>Ordinary shares of a par value of HK\$0.01 each</b>	<b>Number of share</b>	<b>Amount HK\$ (unaudited)</b>	<b>Amount RMB (unaudited)</b>
Authorised:			
As at 31 December 2007 and 30 June 2008	2,000,000,000	20,000,000	20,400,000
Issued and fully paid:			
As at 31 December 2007 and 30 June 2008	400,000,000	4,000,000	4,080,000

## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 14. Capital commitments

Capital commitments outstanding at 30 June 2008 not provided for in the financial statements were as follows:

	<b>As at 30 June 2008 RMB'000 (unaudited)</b>	As at 31 December 2007 RMB'000 (audited)
Contracted for	<b>7,019</b>	4,492
Authorised but not contracted for	<b>184</b>	240
	<b><u>7,203</u></b>	<b><u>4,732</u></b>

### 15. Pledge of assets

As at 30 June 2008, the land and buildings pledged to banks to secure general banking facilities granted to the Group amounted to approximately RMB26,555,000 (31 December 2007: approximately RMB27,049,000).

## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. Related party transactions

During the period, the Group entered into the following transactions with related parties

Names of related parties	Nature of transactions	For the six months ended 30 June	
		2008 RMB'000 (unaudited)	2007 RMB'000 (unaudited)
Fulling CEIEC Co., Ltd. ("Fulling CEIEC")	Sales of goods	–	4,359
Changzhou Lucky Star Electronic Equipment Co., Ltd.	Purchase of goods	1,223	3,690
Shenzhen Yuechang Industrial Co., Ltd. ("Shenzhen Yuechang")	Sales of goods	–	3,985
	Consulting fee	–	984
Zhong Shan Company Ltd.	Operating lease	59	59

Note:

Fulling CEIEC and Shenzhen Yuechang were no longer related parties of the Group for the period ended 30 June 2008.

On 28 December 2007, Galaxy Semiconductor, a wholly-owned subsidiary of the Company, entered into an agreement with each of Changzhou Fulling Electronic Co., Ltd. ("Fulling Electronics") which was a related party of Fulling CEIEC, Changzhou Qiaohong Electronics Company Limited ("Changzhou Qiaohong") and Shenzhen Yuechang for acquiring 15.42%, 15% and 4.58% equity interest in Galaxy Technology from Fulling Electronics, Changzhou Qiaohong and Shenzhen Yuechang, at a consideration of US\$246,700, US\$240,000 and US\$73,300, respectively. Upon the issue of the approval certificate by the governmental bureau regarding the equity transfer, all the relevant rights and obligations in Galaxy Technology should be deemed to be transferred to Galaxy Semiconductor from 30 November 2007. The transaction was completed as at the date of this report. Details of the acquisitions were disclosed in the announcement issued by the Company on 2 January 2008.

### 17. Events after the balance sheet date

Up to the approval date of these financial statements, there was no material post balance sheet event required to be disclosed by the Group.