



CONTENTS

	Pages
Corporate Information	2
Management Discussion and Analysis	3–8
Additional Information Required by the Listing Rules	8–11
Financial Information	
Condensed Consolidated Income Statement	12
Condensed Consolidated Balance Sheet	13–14
Condensed Consolidated Statement of Changes in Equity	15
Condensed Consolidated Cash Flow Statement	16
Notes to the Condensed Financial Statements	17–26



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Wu Jiahong
Liao Chongde
Zhang Yiwei
Hu Yidong
Lee Kwok Leung, Alan

Independent Non-executive Directors

Li Fui Lung, Danny
Ng Hoi Yue, Herman

COMPANY SECRETARY

Tsui Suet Lai, Linda

AUDIT COMMITTEE

Li Fui Lung, Danny
Ng Hoi Yue, Herman

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

LEGAL ADVISER

Richards Butler

PRINCIPAL BANKERS

Jian Sing Bank Limited
China Construction Bank
The Hongkong and Shanghai
Banking Corporation Limited

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 2703-04, 27th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Tengis Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

WEBSITE

<http://www.irasia.com/listco/hk/ruili>



The Board of Directors of Ruili Holdings Limited (hereinafter referred to as the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 31 December 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group's consolidated turnover for the six months ended 31 December 2003 decreased by about 79% from HK\$209.3 million to HK\$43.4 million when compared to the corresponding period in last year. Net profit for the period under review was HK\$71.4 million as compared to the net loss of HK\$30.8 million for the last corresponding period. The Group's net profit was mainly attributed by the gain on disposal of its major subsidiary group, named Welback International Investments Limited and its subsidiaries (the "WIL Group") and the rise in market value of the Group's investment property. Earnings per ordinary share for the six months ended 31 December 2003 was 0.69 HK cent as compared to loss per ordinary share of 0.41 HK cent for the corresponding period in last year.

Business Review

Turnover for the period under review dropped significantly due to the gradual wound down of WIL Group and the then disposal of it in November 2003. As well, significant time and resources have been spent in consolidating the Group's main operations and resolving matters arising from WIL Group.

In the past, the Group's main businesses – manufacturing, sales and trading of multimedia electronic products, toys and games products, were operated by WIL Group. The WIL Group has been making losses for a number of years and most of its operations have been gradually wound down over the second half of year 2003. In view of these, the Group has decided to cut this loss making business arm to prevent it from hampering the overall performance of the Group. On 12 November 2003, the Company entered into a sale and purchase agreement with Sirena Limited relating to the sales of 86,062,500 shares in the share capital of WIL and the loans owed to the Company at a consideration of HK\$1.00. The transaction was completed in December 2003. The Group's wholly-owned subsidiaries, Ruian Weiye Technology (Shenzhen) Limited and Ruian Technology Company Limited are now responsible for the Group's activities in these business sections. By operating under these wholly-owned subsidiaries, the Group has more flexibility in managing operations in an efficient manner. Consequently, results of these business operations were a profit of approximately HK\$5 million.



Multimedia Electronic Products Division

The Group's multimedia electronic products accounted for about 37% of the Group's turnover. Its turnover decreased by approximately 90% due to the gradual wound down of businesses in WIL Group and the disposal of it mentioned above. Turnover in digital cameras and karaoke system represented approximately 68% and 32% of the division's total turnover respectively. Result of this division has recorded a profit of approximately HK\$3 million, a significant turned around as compared to a loss of approximately HK\$15 million for the last corresponding period.

Toys and Games Products Division

Toys and Games represented about 10% of total turnover, a decrease of approximately HK\$34 million as compared to the corresponding period in last year. The effects of WIL Group as described above, the slump market and fierce competition have been the causes of the drop. Result of this division has recorded a slight profit of approximately HK\$1 million as compared to a loss of approximately HK\$4 million for the last corresponding period.

Telecommunication Components Trading Division

During the period under review, the Group has engaged in the trading of telecommunication components through its wholly owned subsidiary, Widax (Hong Kong) Limited. The division recorded a turnover of about HK\$22 million which represented almost 50% of the Group's total turnover. Result of this division was a profit of approximately HK\$2 million.

Future Business Prospects and Plans

WIL Group has been unduly burdensome to the Group. With the disposal of the loss making WIL Group, the Directors are of the opinion that both the financial strength and performance of the Group will improve. Looking ahead, the Group will focus itself on products development, market expansion, cost minimization and business diversification. In addition, the Group will explore new investment opportunities and meanwhile closely monitor its existing investment portfolio to ensure that shareholders' funding be placed in areas where there are high growth and earnings potential.

In respect of products development, the Group is now developing high technology digital cameras, karaoke combo systems with TV and DVD players and high definitions DVD players. Responses on these potential new products have been positive.



As the PRC market continues to be the attention of the global world, the Group is exploring the opportunities of penetrating its multimedia electronic products into the PRC market. The Directors are of the view that the Group could leverage on its core competencies in digital cameras productions and know-how technology as well as wholesaling track records in expanding into this growing market. At the same time, the Group, through extensive participation in world trade exhibitions and pricing strategy, is taking more aggressive approach to recapture its market share in North America and to expand the customer base in Europe.

To be competitive in the market, the Group has imposed certain measures to increase productivity, to reduce the manufacturing overhead and administrative expenses. Cost efficiency and stringent credit controls to improve the Group's financial position remain as major tasks of the Group's management.

To broaden the Group's business scope, Widax (Hong Kong) Limited, which is also a wholly owned subsidiary of the Company, has started its business in the trading of high technology components of telecommunication products mainly to customers in Canada and the PRC.

During the period under review, the Group has through its acquisition of a 55% interest in 深圳銀河通信息技術有限公司 (Shenzhen Yinhetong Information Technology Company Limited) ("SRT") in September 2003 diversified its business operations into system integration and development in the PRC. The Company has already injected RMB17,000,000 into the SRT, as stipulated in the investment agreement entered into between Transfer Networks Limited and SRT dated 10 September 2003. Part of the investment funds were from the proceeds of disposal of property located at Admiralty Centre, instead of financed by loans from Accurate Sino Holdings Limited. The directors are of the view that this newly acquired investment can generate new incomes and earnings to the Group and as well increasing the shareholders' return.

In light of the Group's diversification, the disposal of loss making WIIL Group and the stringent control over its costs and operation efficiencies, the Directors are optimistic that the Group's financial performance and strength would be enhanced.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2003, the Group had net assets of HK\$15.7 million with total assets of approximately HK\$104 million and total liabilities of approximately HK\$89 million. The Group's current ratio, being the proportion of total current assets against total current liabilities, was 0.62 as at 31 December 2003 as compared with 0.40 at 30 June 2003. The Group's bank balances and short-term deposits, which are mainly denominated in Hong Kong dollars and US dollars, amounted to HK\$5.8 million as at 31 December 2003.



As at 31 December 2003, the outstanding principal of 4% convertible bonds due 29 May 2003 amounted to approximately HK\$5.1 million which is expected to be settled fully at the end of March 2004. In December 2003, the Company has issued 8% convertible bonds in the principal amount of HK\$16,000,000 to Asano (Pte) Ltd. at the initial conversion price of HK\$0.018 per share (the "Bonds") which is exercisable at any time after the issue of the Bonds to the maturity date in December 2004.

The Group's gearing ratio as at 31 December 2003 was 25%, which is calculated on the basis of the total of non-current secured term loans and other loans over total shareholders' funds.

To enhance the Group's working capital, the directors will, at appropriate time, consider raising funds by suitable means if it is considered to be in the best interests of the Group and its shareholders to do so.

While the sales of the Group are mainly denominated in US dollars, the purchases of raw materials are mainly in US dollars, Hong Kong dollars and Renminbi. Bank borrowings are also denominated in Hong Kong dollars and US dollars with interest being charged on a fixed rate basis. As the exchange rates of US dollars against Hong Kong dollars and Renminbi were relatively stable during the period, the Group's exposure to fluctuations in exchange rates is considered minimal.

Employees Schemes

As at 31 December 2003, the Group had about 243 employees of whom 23 are based in Hong Kong and 220 are based in the Group's factories in Shenzhen, PRC. The number of workers employed by the Group varies from time to time depending on production needs and they are remunerated based on industry practice.

The remuneration policy and package of the Group's employees are periodically reviewed and approved by the executive directors. Apart from pension funds and in-house training programmes, discretionary bonuses and share options may be awarded to employees according to the assessment of individual performance.



Major Litigation and Arbitration Proceedings

- (i) The Company and its ex-subsiidiary, P.N. Electronics Ltd. ("PNE") are in an arbitration with North American Foreign Trading Corporation ("NAFT") in respect of a gross receivable of HK\$18 million and related damages from various parties for goods shipped by PNE to NAFT in 1996. The arbitration proceedings was initiated by NAFT against the Company and PNE claiming for alleged damages in New York, USA. The Company has, upon legal advice, vigorously contested the alleged claims and has counterclaimed for the said sum of HK\$18 million as well as other damages in the said proceedings. At this time, the action is in a standstill and thus it is not possible to predict the outcome with reasonable certainty.
- (ii) By a Writ and Statement of Claim dated 13 October 2003, BII Finance Company Limited ("BII Finance") has made a claim against the Company under a guarantee allegedly given by the Company in favour of BII Finance in respect of certain alleged liabilities of the Company's ex-subsiidiary, Welback Enterprises Limited. The claim is for a sum of approximately HK\$3,583,000 and US\$248,000 (equivalent to approximately HK\$1,934,000) together with interest and costs. The claim is being disputed by the Company. The Company has joined its former directors, Mr Lee Chun Kwok and Mr Fong Wing Seng, as third parties to the action. The Company's Defence was filed on 1 December 2003. BII Finance has now taken out summary judgment proceedings against the Company. A date for the hearing of BII Finance's summary judgment application has not yet been fixed.
- (iii) Writs and demands in relation to goods and services have been issued against the Company's wholly-owned subsidiary, Ruian Weiye Technology (Shenzhen) Limited ("RWTL"). As far as the directors of the Company are aware of, total claims in respect of these writs and demands are approximately RMB6.65 million (approximately HK\$6.22 million) of which approximately RMB1.2 million (HK\$1.1 million) were of labour dispute nature. Legal advisers have been appointed to contest these writs. Negotiations are held in respect of some of these claims in a view to settle out of court. RWTL has also received a demand in May 2003 for early repayment of a loan amounting to RMB10 million (approximately HK\$9.4 million) which should be due in August 2003. No action was brought in court by the claimant. As at the date of approval of the interim financial report, the directors are not aware of any further action taken by the claimants against RWTL.

The Company is considering the merits of these claims and regards some of these claims as groundless. Nonetheless, the Company is currently seeking financial and legal advice on the effect on the Company of these matters and on what further actions are appropriate.



Save as disclosed above, as at the approval date of the interim financial report, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and so far as the directors are aware, no litigation or claims of material importance was pending or threatened by or against the Company or any of its subsidiary.

Other Matters

The Company has issued corporate guarantee of US\$1.2 million (equivalent to approximately HK\$9.4 million) to a bank for obtaining credit facilities to the extent of approximately US\$1.18 million (equivalent to approximately HK\$9.2 million) which can be utilized by its subsidiary. As at 31 December 2003, the outstanding amount of facilities utilized by the subsidiary amounted to approximately HK\$9.2 million.

In November 2003, Fine Apex Limited, a wholly-owned subsidiary of the Company, has entered into a transaction for sales of its property located at Admiralty Centre at the consideration of HK\$34,500,000. The sales have already been completed in mid-March 2004.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

Directors' Interests in Equity or Debt Securities

(i) Shares

As at 31 December 2003, the directors and chief executive has no interests in the share capital of the Company and its associated corporations as defined in Section 352 of the Securities and Future Ordinance ("SFO").



(ii) *Share Options*

The Company has a share option scheme under which the directors may, at their discretion, grant options to employees, including any directors, of the Company or its subsidiaries to subscribe for shares in the Company, subject to the terms and conditions stipulated. As at 31 December 2003, the outstanding share options granted to a director of the Company were as follows:

Name of director	Exercisable on or after	Exercise price HK\$	Number of share options		
			Outstanding as at 1 July 2003	Lapsed during the period	Outstanding as at 31 December 2003
Wu Jiahong	20 February 2003	0.017	50,000,000	-	50,000,000

Save as aforesaid and other than certain nominee shares in subsidiaries held by directors in trust for the Group, as at 31 December 2003, to the knowledge of the Company:

- (i) none of the Directors, or chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) which were 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 or short positions which the Directors and the chief executives are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rule;
- (ii) none of the directors or chief executives or their spouses or children under 18 had any right to subscribe for the shares, underlying shares or debentures of the Company, or had exercised any right during the six months ended 31 December 2003.



Substantial Shareholders

As at 31 December 2003, the interests of persons, other than a director or chief executive of the Company, in the shares of the Company as recorded in the register maintained pursuant to Section 336 of the SF0 were as follows:

Name of shareholder	Number of ordinary shares held	Approximate shareholding percentage
Achieve Well Group Limited	2,872,938,146	27.07%
Hu Man Grace (Note 1)	2,872,938,146	27.07%
Accurate Sino Holdings Limited	1,508,960,000	14.22%
Lu Chieh-kang (Note 2)	1,508,960,000	14.22%
Tung Fong Hung Finance (HK) Company Limited	700,000,000	6.59%
Chan Kwok Keung Charles (Note 3)	700,000,000	6.59%
Chinaview International Limited (Note 3)	700,000,000	6.59%
Galaxyway Investments Limited (Note 3)	700,000,000	6.59%
ITC Corporation Limited (Note 3)	700,000,000	6.59%
ITC Investment Group Limited (Note 3)	700,000,000	6.59%
Victory Rich Limited (Note 3)	700,000,000	6.59%
Ng Yuen Lan Macy (Note 3)	700,000,000	6.59%

Note:

1. Achieve Well Group Limited is wholly owned by Ms Hu Man Grace, and therefore Ms Hu Man Grace was deemed to be interested in Shares held by Achieve Well Group Limited.
2. Accurate Sino Holdings Limited is wholly owned by Mr Lu Chieh-kang, and therefore Mr Lu Chieh-kang was deemed to be interested in Shares held by Accurate Sino Holdings Limited.
3. Chan Kwok Keung Charles owns the entire interest of Chinaview International Limited ("Chinaview") which in turn owns the entire interest in Galaxyway Investments Limited ("Galaxyway"). Galaxyway owns more than one-third of the entire issued ordinary share capital of ITC Corporation Limited ("ITC Corporation"). ITC Corporation owns the entire interest of ITC Investment Group Limited ("ITC Investment"). ITC Investment owns the entire interest in Victory Rich Ltd. ("Victory Rich"). Victory Rich owns the entire interest of Tung Fong Hung Finance (HK) Company Limited ("Tung Fong Hung"). Ng Yuen Lan Macy is the spouse of Chan Kwok Keung Charles. Accordingly, Victory



Rich, ITC Investment, ITC Corporation, Galaxyway, Chinaview, Chan Kwok Keung Charles and Ng Yuen Lan Macy are deemed to be interested in Shares which are held by Tung Fong Hung.

Other than as disclosed above, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 31 December 2003.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 31 December 2003, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Compliance with the Code of Best Practice

None of the directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not, for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Audit Committee

The Audit Committee, which comprises two independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's unaudited interim financial statements for the six months ended 31 December 2003.

**CONDENSED CONSOLIDATED INCOME STATEMENT****For the six months ended 31 December 2003**

		Six months ended	
		31 December	
		2003	2002
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	3	43,368	209,266
Cost of sales		36,382	(193,099)
Gross profit		6,986	16,167
Other income		1,186	2,541
Revaluation increase in investment properties		6,500	–
Gain on disposal of non-wholly owned subsidiary	5	68,580	–
Distribution costs		(504)	(7,822)
Administrative expenses		(9,353)	(30,825)
Impairment loss in respect of interest in an associate		–	(1,000)
Impairment loss in respect of investments in securities		–	(6,400)
Profit/(loss) from operations		73,395	(27,339)
Amortisation on goodwill		(5)	(5)
Share of results of an associate		–	–
Finance costs		(1,973)	(3,421)
Profit/(loss) before taxation		71,417	(30,765)
Taxation	6	–	–
Profit/(loss) before Minority Interests		71,417	(30,765)
Minority interests		–	–
Net profit/(loss) for the period		71,417	(30,765)
Earnings/(loss) Per Share			
Basic	8	0.69 cent	(0.41) cent
Diluted		0.69 cent	N/A

All of the Group's operations are classed as continuing.

The notes on pages 17 to 26 form part of this interim financial report.



CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2003

		31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
	<i>Note</i>		
Non-current assets			
Intangible assets		86	91
Property, plant and equipment	9	6,461	42,128
Investment properties		34,500	28,000
Investment in securities		11,200	–
		52,247	70,219
Current assets			
Inventories		19,503	33,582
Trade and other receivables	10	16,778	23,589
Pledged bank deposits		10,156	9,860
Time deposits, bank balances and cash		5,775	2,639
		52,212	69,670
Less: Current liabilities			
Trade and other payables	11	41,682	81,478
Short-term secured bank borrowings		20,135	25,471
Obligations under finance leases due within one year		200	1,186
Convertible bonds		20,976	15,602
Other secured borrowings		–	14,423
Amount due to a related company		1,873	38,301
		84,866	176,461
Net current liabilities		(32,654)	(106,791)
Total assets less current liabilities		19,593	(36,572)

The notes on pages 17 to 26 form part of this interim financial report.



	31 December 2003 (Unaudited) Note	30 June 2003 (Audited)
	HK\$'000	HK\$'000
Less: Non-current liabilities		
Secured term loan due after one year	–	19,263
Obligations under finance leases due after one year	610	712
Loan from a shareholder	3,286	3,136
	3,896	23,111
Net assets/(liabilities)	15,697	(59,683)
<i>Financed by:</i>		
Share capital	12 106,141	96,141
Reserves	(90,444)	(155,824)
Shareholders' funds/(deficits)	15,697	(59,683)

The notes on pages 17 to 26 form part of this interim financial report.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2003

	Six months ended 31 December	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Total equity at 1 July	(59,683)	41,460
Net profits/(loss) for the period	71,417	(30,765)
New issue of shares, net of expenses	16,224	33,085
Exercise of warrants	–	300
Released upon disposal of subsidiaries	(12,261)	–
Total equity at 31 December	15,697	44,080

The notes on pages 17 to 26 form part of this interim financial report.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 31 December 2003

	Six months ended	
	31 December	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow)		
from operating activities	22,111	(7,823)
Net cash outflow from investing activities	(23,100)	(10,344)
Net cash inflow from financing activities	4,125	26,791
Increase in cash and cash equivalents	3,136	8,624
Cash and cash equivalents		
at beginning of period	2,639	3,547
Cash and cash equivalents		
at end of period	5,775	12,171
Analysis of the balances of cash		
and cash equivalents		
Time deposits, bank balances and cash	5,775	12,242
Bank overdrafts	–	(71)
	5,775	12,171

The notes on pages 17 to 26 form part of this interim financial report.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2003

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties.

The accounting policies and method of computation used in the preparation of these Interim Accounts are consistent with those used in the Group's audited financial statements for the year ended 30 June 2003, except for the adoption of SSAP 12 (Revised) "Income Tax" which is effective for the accounting period commenced on or after 1 January 2003.

The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (revised), the new accounting policy has been applied retrospectively.

The adoption of SSAP 12 (revised) has no material impact on the Company's financial statements in prior years and comparative figures have not been restated.



3. SEGMENT INFORMATION

(a) Business Segments

The Group is principally engaged in the manufacturing and selling of multimedia electronic products, and toys and games products. During the six months ended 31 December 2003, the Group was also engaged in the trading of telecommunication components from September 2003.

	Six months ended 31 December 2003 (Unaudited)				Consolidated HK\$'000
	Multimedia electronic products HK\$'000	Toys and games products HK\$'000	Telecom- munication components HK\$'000	Others HK\$'000	
	Revenue from external customers	<u>15,950</u>	<u>4,542</u>	<u>21,588</u>	
Segment results	<u>3,433</u>	<u>978</u>	<u>2,298</u>	<u>277</u>	<u>6,986</u>
Interest income and unallocated gains					1,186
Revaluation increase in investment properties					6,500
Gain on disposal of non-wholly owned subsidiary					68,580
Unallocated corporate expenses					<u>(9,857)</u>
Profit from operations					73,395
Amortisation on goodwill					(5)
Finance costs					<u>(1,973)</u>
Profit before taxation					71,417
Taxation					-
Profit before minority interests					71,417
Minority interests					-
Net profit for the period					<u>71,417</u>



	Six months ended 31 December 2002 (Unaudited)			
	Multimedia electronic products HK\$'000	Toys and games products HK\$'000	Others HK\$'000	Consolidated HK\$'000
Revenue from external customers	<u>158,718</u>	<u>38,910</u>	<u>11,638</u>	<u>209,266</u>
Segment results	<u>(15,261)</u>	<u>(4,485)</u>	<u>4,388</u>	<u>(15,358)</u>
Interest income and unallocated gains				1,952
Unallocated corporate expenses				(6,533)
Impairment loss in respect of interest in an associate				(1,000)
Impairment loss in respect of investments in securities				<u>(6,400)</u>
Loss from operations				(27,339)
Amortisation on goodwill				(5)
Finance costs				<u>(3,421)</u>
Loss before taxation				(30,765)
Taxation				<u>-</u>
Loss before minority interests				(30,765)
Minority interests				<u>-</u>
Net loss for the period				<u>(30,765)</u>

There are no sales or other transactions between the business segments.

Analysis of assets and liabilities by business segments has not been disclosed as most of the Group's assets and liabilities are unallocated.



(b) Geographical Segments

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers. More than 90% of the Group's assets are located in the region of Hong Kong and mainland China. Accordingly, analysis of segment assets based on geographical segments has not been disclosed.

	Six months ended 31 December 2003 (Unaudited)				
	North			Local and	Consolidated
	America	Europe	Japan	others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	4,524	2,229	377	36,238	43,368
Segment results	974	480	81	5,451	6,986

	Six months ended 31 December 2002 (Unaudited)				
	North			Local and	Consolidated
	America	Europe	Japan	others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	146,670	36,431	8,334	17,831	209,266
Segment results	(14,401)	(2,714)	(987)	2,744	(15,358)

There are no sales between the geographical segments.

4. DEPRECIATION AND AMORTISATION

During the period, the following depreciation and amortisation have been charged to the Group's condensed consolidated income statement.

	Six months ended	
	31 December	2002
	2003	(Unaudited)
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	495	4,299
Amortisation of intangible assets	5	324
Amortisation of issue costs of convertible bonds	3	390



5. GAIN ON DISPOSAL OF NON-WHOLLY OWNED SUBSIDIARY

	HK\$'000
Sales proceeds	–
Disposal of net liabilities shared by the Group	103,333
Amount due by the non-wholly owned subsidiary	(47,013)
Asset revaluation reserve released	1,460
Capital reserve on consolidation released	10,800
	<hr/>
Gain on disposal	68,580

6. TAXATION

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong or the estimated assessable profits are wholly absorbed by tax losses brought forward for the current and last corresponding periods.

7. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the current period (2002: Nil).

8. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 31 December 2003
	HK\$'000
Earnings for calculation of basic earnings per ordinary share (net profit attributable to ordinary shareholders)	71,417
Effect of dilutive potential ordinary shares	
– Interest on convertible bonds	138
	<hr/>
Earnings for calculation of diluted earnings per ordinary share	71,555
	<hr/>
	31 December 2003
	Number of shares
Weighted average number of shares used in calculating basic earnings per share	10,311,406,741
Effect of dilutive potential ordinary shares	
– Convertible bonds	43,478,261
	<hr/>
Weighted average number of shares used in calculating diluted earnings per ordinary share	10,354,885,002



The calculation of the basic loss per share for the last corresponding period is based on the net loss for the period of HK\$30,765,000 and on the weighted average of 7,454,844,241 ordinary shares in issue during the period.

No diluted loss per share was presented for the last corresponding period as the conversion of the Company's outstanding share options, warrants and convertible bonds would result in a decrease in the loss per share which is anti-dilutive.

9. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 31 December 2003 are analysed as follows:

	HK\$'000
At 1 July 2003 (Audited)	42,128
Additions to:	
Leasehold improvements	22
Furniture, fixtures and equipment	196
Tools and moulds	5
Eliminated on disposal of subsidiaries	(35,395)
Depreciation charged for the period	(495)
	<hr/>
At 31 December 2003 (Unaudited)	<u>6,461</u>

10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to 90 days to its trade customers. Included in trade and other receivables are trade debtors of approximately HK\$11,290,000 (at 30 June 2003: HK\$16,295,000) with the following aged analysis:

	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
Within 90 days	101	9,569
Over 90 days	11,189	6,726
	<hr/>	<hr/>
	<u>11,290</u>	<u>16,295</u>



11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payable of approximately HK\$8,495,000 (at 30 June 2003: HK\$57,085,000) with the following aged analysis:

	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
Within 90 days	660	20,178
Over 90 days	7,835	36,907
	8,495	57,085

Legal claims integrated by suppliers in relation to goods and services have been issued against the Company's wholly-owned subsidiary, Ruian Weiye Technology (Shenzhen) Limited ("RWTL"). As far as the directors of the Company are aware of, total claims in respect of these writs and demands are approximately RMB6.65 million (approximately HK\$6.22 million) of which approximately RMB1.2 million (HK\$1.1 million) were of labour dispute nature. Legal advisers have been appointed to contest these claims. Negotiations are held in respect of some of these claims in a view to settle out of court. RWTL has also received a demand in May 2003 for early repayment of a loan amounting to RMB10 million (approximately HK\$9.4 million) which should be due in August 2003. No action was brought in court by the claimant. As at the date of approval of the interim financial report, the directors are not aware of any further action taken by the claimants against RWTL.



12. SHARE CAPITAL

	31 December 2003 (Unaudited)		30 June 2003 (Audited)	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each				
<i>Authorised:</i>				
At beginning and end of period/year	20,000,000	200,000	20,000,000	200,000
<i>Issued and fully paid:</i>				
At beginning of period/year	9,614,124	96,141	6,611,624	66,116
New issue of shares pursuant to				
– subscription agreements	1,000,000	10,000	2,207,900	22,079
– settlement agreements	–	–	492,100	4,921
Exercise of share options	–	–	300,000	3,000
Exercise of warrants	–	–	2,500	25
At end of period/year	10,614,124	106,141	9,614,124	96,141

At 31 December 2003, there were 200,000,000 share options (at 30 June 2003: 200,000,000 share options) outstanding.

13. PLEDGE OF ASSETS

At 31 December 2003, the Group's investment property with a net book value of HK\$34,500,000 (at 30 June 2003: HK\$28,000,000) and bank deposits of HK\$10,156,000 (at 30 June 2003: HK\$9,860,000) were pledged to secure certain borrowings and credit facilities granted to the Group.

14. CONTINGENT LIABILITIES

	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
Bills discounted with recourse	–	5,304



- (i) The Company and its ex-subsiary, P.N. Electronics Ltd. ("PNE") are in an arbitration with North American Foreign Trading Corporation ("NAFT") in respect of a gross receivable of HK\$18 million and related damages from various parties for goods shipped by PNE to NAFT in 1996. The arbitration proceedings was initiated by NAFT against the Company and PNE claiming for alleged damages in New York, USA. The Company has, upon legal advice, vigorously contested the alleged claims and has counterclaimed for the said sum of HK\$18 million as well as other damages in the said proceedings. At this time, the action is in a standstill and thus it is not possible to predict the outcome with reasonable certainty.
- (ii) By a Writ and Statement of Claim dated 13 October 2003, BII Finance Company Limited ("BII Finance") has made a claim against the Company under a guarantee allegedly given by the Company in favour of BII Finance in respect of certain alleged liabilities of the Company's ex-subsiary, Welback Enterprises Limited. The claim is for a sum of approximately HK\$3,583,000 and US\$248,000 (equivalent to approximately HK\$1,934,000) together with interest and costs. The claim is being disputed by the Company. The Company has joined its former directors, Mr Lee Chun Kwok and Mr Fong Wing Seng, as third parties to the action. The Company's Defence was filed on 1 December 2003. BII Finance has now taken out summary judgment proceedings against the Company. A date for the hearing of BII Finance's summary judgment application has not yet been fixed.
- (iii) Writs and demands in relation to goods and services have been issued against the Company's wholly-owned subsidiary, Ruian Weiye Technology (Shenzhen) Limited ("RWTL"). As far as the directors of the Company are aware of, total claims in respect of these writs and demands are approximately RMB6.65 million (approximately HK\$6.22 million) of which approximately RMB1.2 million (HK\$1.1 million) were of labour dispute nature. Legal advisers have been appointed to contest these writs. Negotiations are held in respect of some of these claims in a view to settle out of court. RWTL has also received a demand in May 2003 for early repayment of a loan amounting to RMB10 million (approximately HK\$9.4 million) which should be due in August 2003. No action was brought in court by the claimant. As at the date of approval of the interim financial report, the directors are not aware of any further action taken by the claimants against RWTL.



15. CAPITAL COMMITMENTS

As at 31 December 2003, the Group had the following commitments in respect of investment in securities:

	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
Contracted but not provided for	4,837	–

16. SUBSEQUENT EVENTS

The following significant events occurred subsequent to the balance sheet date:

- (a) During the period under review, the Group has contracted to dispose of its investment property with a carrying value of approximately HK\$34.5 million at a consideration of approximately HK\$34.5 million. The transaction was completed on 12 March 2004.
- (b) Subsequent to the balance sheet date, the Group's investment property with a net book value of HK\$34.5 million pledged to secure borrowings facilities granted to the Group was released as the Group disposed of its investment property as mentioned in (a) above.
- (c) Subsequent to the balance sheet date, bank deposits of HK\$10,156,000 pledged to secure credit facilities granted to the Group were released.
- (d) Subsequent to the balance sheet date, the Group has paid approximately HK\$4.9 million for capital commitment in relation to investment in Shenzhen Yinhetong Information Technology Company Limited as mentioned in note 15 to the condensed financial statements.

17. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 22 March 2004.

By Order of the Board
Wu Jiahong
Executive Director

Hong Kong, 22 March 2004