

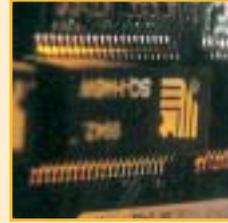
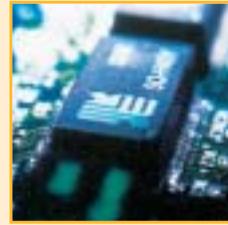
[ANNUAL REPORT 2002]



LANKom

ELECTRONICS LIMITED

[Company Overview]



We manufacture and distribute electromagnetic (“EM”) components to Original Equipment Manufacturing (“OEM”) manufacturers of electronic products from Taiwan and the United States of America. Our Group’s major customers are approved suppliers to leading manufacturers of electrical and electronic devices in the datacommunications, telecommunications and PC industries.

Our products are marketed under our “LANKom” trademark. We supply our products to various OEM manufacturers who integrate them into their end products. However, we also manufacture under OEM arrangements for certain customers where our logo is not displayed on our products.



[Chairman's Statement]



On behalf of the Board of Directors, it is my pleasure to present to you the Group's annual report for the financial year ended 31 December 2002.

RESULTS

Despite the global economic slowdown in the year under review, the Group turnover improved by NT\$ 55.3 million (18%) from NT\$ 305.5 million in FY 2001 to NT\$ 360.8 million in FY 2002.

However the weak sales demand from electromagnetic ("EM") component and price competition faced, average selling prices dropped and consequentially gross profit margin of the Group fell from 36% in FY 2001 to 26% in FY 2002, a decline of 10%.

Profit attributable to shareholders decreased by NT\$ 24.4 million (45%) from NT\$ 54.1 million in FY 2001 to NT\$ 29.7 million in FY 2002 due to lower gross margins, an increase of NT\$ 8.8 million (17%) in operating expenses as compared to FY 2001 and the provision of approximately NT\$ 8 million for diminution in value of the quoted shares held in the books of our Taiwan subsidiary.

Due to the lower earnings in FY 2002 and the bonus share issue of 37,844,000 new ordinary shares of US\$ 0.02 each in the capital of the Company in June 2002, earnings per share declined to 14.13 cents from 29.42 cents in FY 2001.

OPERATION REVIEW

For the year under review, the Group continued to serve the three main markets namely, data-communications, telecommunications and personal computers.

The Group's turnover increased by 18% from NT\$ 305.5 million in FY 2001 to NT\$ 360.8 million in FY 2002. Geographically, sales in the PRC improved by 61% to approximately NT\$ 185.5 million as compared to FY 2001.

The higher sales achieved in the PRC was as a result of manufacturing companies shifting their production plants to PRC to take advantage of the lower manpower costs in that country.

However average selling prices dropped in the second half of the financial year due to weak sales demand from electromagnetic ("EM") components, especially in Information Technology ("IT") where the replacement cycles for both corporate and personal computers and PC peripheral products have been prolonged or delayed amid the global economic slowdown. The Group also faced price competition from other manufacturers of EM components.

With the lower gross margins and the increase in operating expenses, profit attributable to shareholders decreased to NT\$ 29.7 million.

Operating expenses increased by approximately NT\$ 8.8 million mainly due to a non-recurring provision of NT\$ 8 million for diminution in value of the quoted shares held in the books of our Taiwan subsidiary. Administrative expenses such as manpower cost, office rental and depreciation charge have also increased as a result of the expansion of the Group and the setting up of the Singapore representative office in the second half of FY 2001.

Financial income decreased significantly to NT\$ 7.3 million due to the utilization of the funds placed in fixed deposit previously for the purpose of the construction of our factory in Zhuhai, PRC. Total cost incurred in the construction of factory as at 31 December 2002 was approximately NT\$ 66.9 million.

During the financial year under review, our subsidiary in Taiwan acquired a new office premise amounting to approximately NT\$ 43.4 million through the bank loan obtained from a local bank in Taiwan.



NEW MANUFACTURING FACILITY

During the financial year ended 31 December 2002, the Group entered into an agreement to construct our own factory in Zhuhai, PRC for a total consideration of approximately NT\$ 99 million (RMB 23.5 million).

Upon the completion of the factory the manufacturing activities of the Group (currently carried out by another factory in Zhuhai pursuant to a Processing Agreement entered into on 8 January 1998) will be undertaken by the Group's PRC wholly foreign owned enterprise, which is expected to take place in the second half of this financial year.

The establishment of our own production facilities will enable the Group to reduce its reliance on the processing arrangements with the third party factory and enable the Group to achieve the increase in its production capacity to meet any additional sales demand in future.

EMPLOYEES SHARE OPTION SCHEMES

The LANKom Electronics Share Option Plan 2002 and the LANKom Electronics Performance Share Plan 2002 ("Plans") were approved by the shareholders at the Special General Meeting held in November 2002.

The rationale for these Plans is to recognize the contributions and continued dedication of employees and Non-Executive Directors to the future growth and development of the Group.

By implementing these Plans, employees and Non-Executive Directors are provided with an opportunity to participate in the equity of the Company, thereby inculcating a strong sense of identification with the prosperity of the Group and promoting commitment and loyalty of the employees and Non-Executive Directors towards the Group.

No options have been granted as at the end of the financial year under review.

PROSPECTS

With the outbreak of war in the Middle East, the recovery of the global economy may be further prolonged and hence the Group expects the business environment in FY 2003 to continue to remain difficult, challenging and competitive.

To cope with the situation, the Group will continue to focus on enlarging its market share in motherboard and notebook computer industries. We will continue to step up our marketing efforts in the South East Asia and the PRC through the setting up of sales offices in Singapore and the PRC respectively as we expand our customer base and geographical presence.

Our research and development team will continue to develop smaller EM components for use in data-communications, telecommunications and PC products in line with the miniaturization of electronic products to meet our customers' demand.

APPRECIATION

In conclusion, on behalf of the Board, I thank the management and staff for their commitment and contribution and all our customers, business partners and shareholders for their continuing support and confidence in our Company.

Albert Liu Lu Ta
Chairman

[Board of Directors & Senior Management]

BOARD OF DIRECTORS



Mr. Albert Liu is our founder, Chairman and Chief Executive Officer. Mr. Liu was appointed on 30 January 2001 and shall not be subject to retirement by rotation under the Bye-Laws of the Company. He is responsible for overseeing the entire operations, product development, strategic planning, and corporate business development and policy decision making for our Group. Prior to founding our Group in 1996, Mr. Liu held positions in companies responsible for the manufacture and sales of electromagnetic components as well as product development. Mr. Liu holds a degree in English Literature from the TamKang University, Taiwan.

Mr. Randolph Liu is our Director, Finance and Administration. Mr. Liu was appointed on 30 January 2001 and was last re-elected on 30 May 2002. He oversees our Group's administrative functions as well as financial and corporate management. Together with Mr. Albert Liu, he is responsible for the business development of our Group. He also ensures the effective implementation of our Group's business strategies and plans. He holds a Law degree from the Fu Jen University, Taiwan.



Ms. Huang Mei Chu was appointed as our Non-Executive Director on 1 February 2001 and was last re-elected on 30 May 2002. She has worked as the accounts manager in a company engaged in the business of distribution of chemical products. She holds a Certificate in Accounting.

Ms. Huang Chiu Chu was appointed as our Non-Executive Director on 1 February 2001 and was last re-elected on 30 May 2002. She has more than ten years experience in the area of sales and administration accumulated from her working experience as a sales executive in the travel industry.



Mr. Ong Kian Min was appointed as an Independent Non-Executive Director on 1 February 2001. He will be due for re-election at the forthcoming AGM. He is the Chairman of the Audit Committee and Nominating Committee. Mr. Ong is currently a consultant with Drew and Napier LLC (a Singapore law firm) and a Member of Parliament for Tampines Group Representative Constituency, Singapore. He holds a Bachelor of Science (Honours) degree from the Imperial College of Science and Technology, London, United Kingdom and a Bachelor of Laws (Honours) degree from the University of London.

[Board of Directors & Senior Management]



Dr Chao Pei was appointed as an Independent Non-Executive Director on 1 February 2001 and will be due for re-election at the forthcoming AGM. He is also the Chairman of the Remuneration Committee and a member of both the Audit Committee and Nominating Committee. Dr Chao is currently an Assistant Professor with the Department of Marketing and Distribution Management, National Kaoshiung First University of Science and Technology, Taiwan. He holds a Doctorate in Business Administration from the Boston University, US.

Mr. Ho Wai Hung was appointed as an Executive Director on 20 November 2002. He has been with our Group since 1996 as the Logistics and Procurement Manager responsible for our Group's procurement and logistical functions, including the procurement of raw materials, shipping of raw materials and products, and warehousing of inventories. Prior to joining our Group, he was a business executive with a company engaged in business development and sales of electromagnetic components. Mr. Ho holds a High School Certificate from Kiangsu Chekiang College.

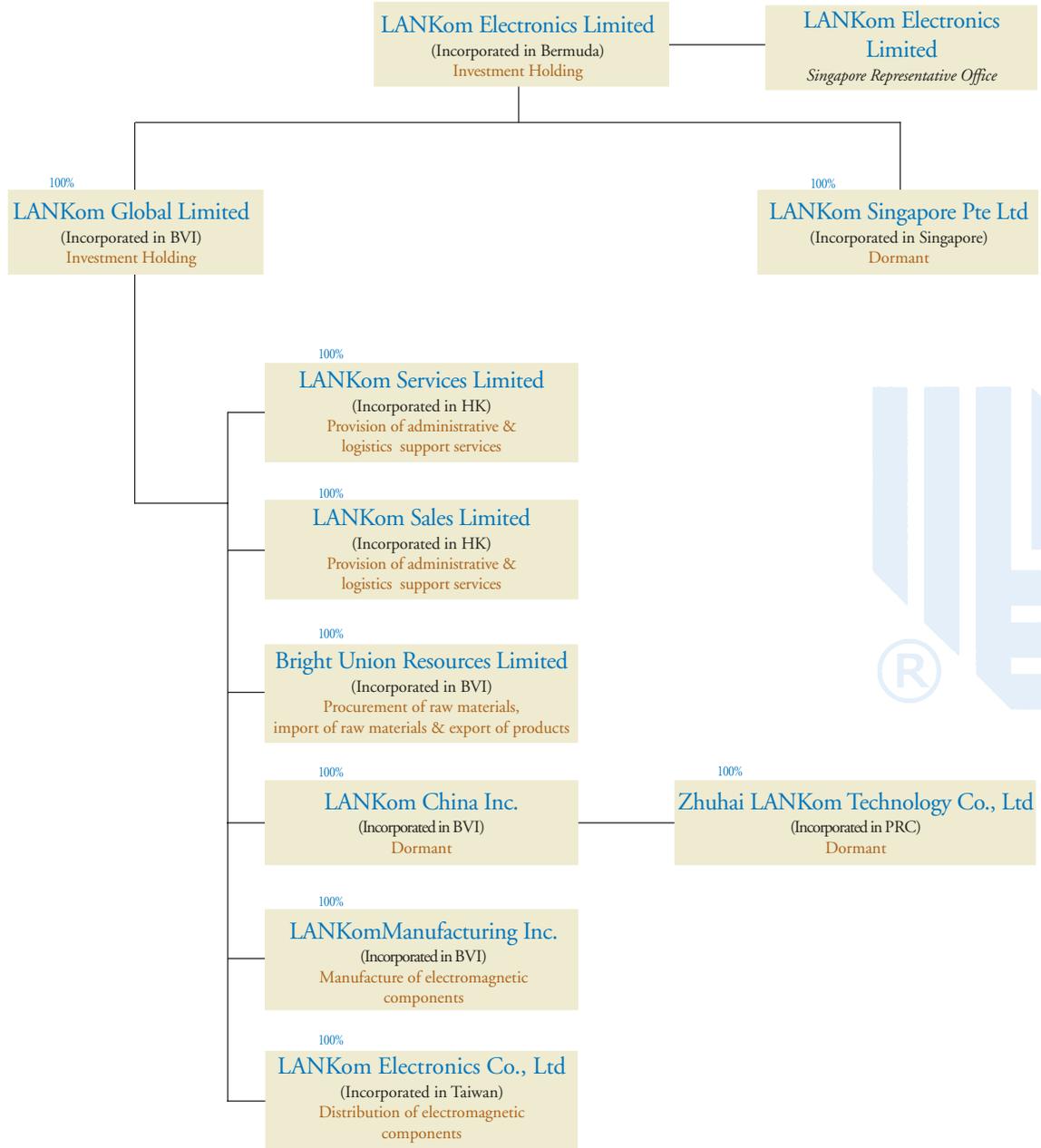


SENIOR MANAGEMENT STAFF

Ms. Ang Iris is our Chief Financial Officer of the Group. She is responsible for our overall financial accounting, tax, corporate secretarial matters and investor relations. Prior to joining the Group, she was Corporate Finance Manager (Regional) of Ossia International Limited, a company listed on the Official List of the Singapore Exchange Securities Trading Limited. She holds a professional qualification from the Chartered Association of Certified Accountants of United Kingdom and is a member of the Institute of Certified Public Accountants of Singapore.

Mr. Feng Xi Wu is our Manufacturing Manager and he oversees the day-to-day manufacturing operations at the factory including staff management. He was factory manager of Shaanxi Qinfeng Car Repair Factory of the Shaanxi Qinfeng Materials Trading General Company before joining the Group. He holds a Degree in Economics from the Shaanxi Dang Zheng Cadres University.

[Corporate Structure]



Note:

(1) Under the Companies Ordinance of Hong Kong, the minimum number of shareholders required in a Hong Kong company is two (2). One (1) ordinary share each in the capital of LANKom Sales Limited and LANKom Services Limited is held in trust by our Director, Mr Albert Liu Lu Ta as a nominee for LANKom Global Limited.

(2) Under the Company Law of Taiwan, the minimum number of shareholders required in a Taiwanese company is seven (7). To meet this requirement, each of our founding shareholders namely, Messrs Albert Liu Lu Ta, Randolph Liu Lu Chun, Huang Yi Fong, Huang Mei Chu, Ms Huang Chiu Chu and Yuan Song Investments Co., Ltd hold one (1) ordinary share each in the capital of LANKom Electronics Co., Ltd. in trust as nominees for LANKom Global Limited.

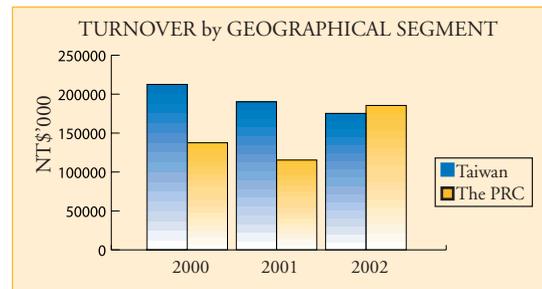
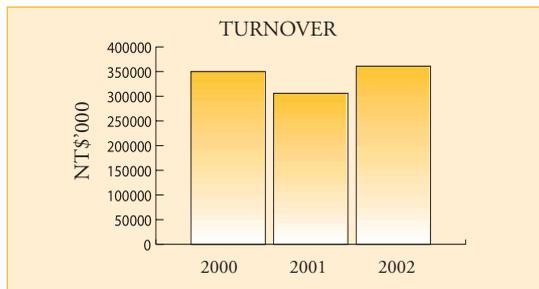
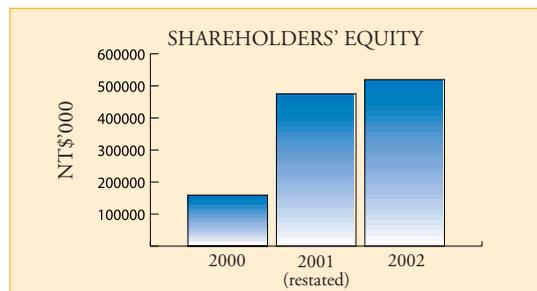


SUMMARISED BALANCE SHEETS (IN NT\$'000)

Year	2002	2001 (restated)	2000
Shareholders' equity	519,775	475,477	159,244
Fixed assets	73,245	25,774	19,394
Construction in progress	66,875	-	-
Long-term investment	20,430	-	-
Deferred tax assets	3,932	4,792	-
Current assets	492,991	523,900	296,898
Current Liabilities	(110,023)	(78,989)	(157,048)
Net current assets	382,968	444,911	139,850
Non-current liability			
Long term bank loan	(27,675)	-	-
	519,775	475,477	159,244
Net asset value per share (cents)	2.29	2.51	1.04

SUMMARISED PROFIT & LOSS ACCOUNTS (IN NT\$'000)

Year	2002	2001	2000
Turnover			
Taiwan	175,290	190,171	212,455
The PRC	185,483	115,338	137,544
	360,773	305,509	349,999
Turnover growth	18.1%	-12.7%	
Operating Profit	30,288	53,055	125,396
Profit before tax	30,565	60,644	125,577
Profit after tax	29,692	54,151	110,581



[Corporate Information]



BOARD OF DIRECTORS

Executive:

Albert Liu Lu Ta (Chairman)
Randolph Liu Lu Chun
Ho Wai Hung

Non-Executive:

Huang Mei Chu
Huang Chiu Chu
Ong Kian Min (Independent)
Chao Pei (Independent)

AUDIT COMMITTEE

Ong Kian Min (Chairman)
Chao Pei
Huang Chiu Chu

REMUNERATION COMMITTEE

Chao Pei (Chairman)
Ong Kian Min
Randolph Liu Lu Chun

NOMINATING COMMITTEE

Ong Kian Min (Chairman)
Chao Pei
Randolph Liu Lu Chun

SECRETARIES

Foo Soon Soo
Lotus Isabella Lim Mei Hua
Ho Wai Hung

REGISTERED OFFICE

Clarendon House
2 Church Street
PO Box HM 666
Hamilton HM CX
Bermuda
Tel: (441) 295 1422
Fax: (441) 292 4720
Email: info@cdp.bm

BERMUDA REGISTER AND SHARE TRANSFER OFFICE

Butterfield Corporate Services Limited
11 Rosebank Centre
Bermudiana Road
Hamilton, Bermuda

SINGAPORE SHARE TRANSFER AGENT

Lim Associates (Pte) Ltd
10 Collyer Quay
#19-08 Ocean Building
Singapore 049315

AUDITOR

Ernst & Young
10 Collyer Quay
#20-01 Ocean Building
Singapore 049315

AUDIT PARTNER-IN-CHARGE

Max Loh Khum Whai
Appointed since 2002

[Corporate Governance Statement & Risk Management]

With effect from 1 July 2002, all listed companies are required to describe their corporate governance practices with specific references to the Code of the Corporate Governance (“Code”) dated 21 March 2001 that was accepted by the Singapore Government on 4 April 2001 and now form part of the Continuing Obligations of the SGX Listing Manual.

We, the Board of Directors of LANKom Electronics Limited (“LANKom”), have taken into consideration the size of our organisation and have focussed on the substance of the principles of the Code as we develop and maintain our corporate governance processes.

LANKom is committed to high standards of corporate governance and has as far as practicable adopted the corporate governance practices contained in the Code so as to ensure greater transparency and protection of shareholders’ interests. This statement outlines the main corporate governance practices that were in place throughout the financial year.

BOARD MATTERS

Principle 1: Role of the Board of Directors

The Board’s primary role is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and supervises executive management. To fulfil this role, the Board is responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Regular meetings were conducted during the year to review the performance of the Group, approve the release of half-year and full-year results announcements, and approve corporate strategies, material acquisitions and disposal of assets and the appointment of new members to the Group.

The numbers of meetings held as well as the attendance of every board member at these meetings have been disclosed in this statement.

However it is the opinion of our Board of Directors that attendance at Board meetings alone is an inadequate measurement for determining the individual Director’s contributions to the Group. The Board also considers each Director’s skills, talents and corporate experience together with any past contributions made to the success of the Group.

Our Directors have been constantly provided with regular updates on the relevant new listing rules, governance and accounting standards by our corporate secretarial firm and auditors respectively.



[Corporate Governance Statement & Risk Management]

Principle 2: Board Composition and Balance

The Board of Directors comprises seven members, three of whom are Executive Directors, two are non-executive Directors and two are Independent Directors.

The criteria for independence is determined based on the definition provided in the Code and the Board considers an “independent” Director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director’s independent judgement of the Group’s affairs.

As such, although the number of Independent Directors is below the “one third” requirement, the Board views that it is not necessary at this moment to appoint another Independent Director as the Board wishes to maintain the current size of the Board to facilitate effective decision-making. The Board will assess the need to expand the Board with an additional Independent Director when the Group has grown in scope and complexity in its operations, and where an additional Independent Director is deemed necessary to improve the corporate governance of the Group.

The Directors of the Company as at the date of this statement are: -

- Dr Chao Pei (Independent Director)
- Mr Ong Kian Min (Independent Director)
- Ms Huang Mei Chu (Non-executive Director)
- Ms Huang Chiu Chu (Non-executive Director)
- Mr Albert Liu Lu Ta (Executive Director)
- Mr Randolph Liu Lu Chun (Executive Director)
- Mr Ho Wai Hung (Executive Director)

Principle 3: Chairman and CEO

The position of Chairman of the Company is held by Mr Albert Liu Lu Ta. Mr Albert Liu Lu Ta also holds the position of Chief Executive Officer of the Group, and is the largest single shareholder of the Company, holding approximately 41.45% of the equity of the Company. Mr Albert Liu Lu Ta believes that the scope of our business and the structure of our organization does not warrant the additional costs which will be incurred in the appointment of a third party Chairman of the Board. In addition, Mr Albert Liu Lu Ta believes that the interests of minority shareholders will not be prejudiced with him maintaining his position as Chairman and Chief Executive Officer and, as a major shareholder himself, Mr Albert Liu Lu Ta would endeavour to enhance shareholder’s value.

The Board also believes that as major decisions made by the Executive Chairman and CEO are being reviewed by other independent committees such as the Audit Committee, Nomination Committee and Remuneration Committee chaired by Independent Directors of the Company, there are adequate safeguards against an uneven concentration of power and authority in a single individual.



[Corporate Governance Statement & Risk Management]

The Group's Executive Chairman and CEO is responsible for the day-to-day running of the Group as well as the exercise of control over the quality, quantity and timeliness of information flow between the Board and the management. He has played an instrumental role in developing the business of the Group and has also provided the Group with strong leadership and vision.

Principle 4: Board Membership

Principle 5: Board Performance

Pursuant to the recommendations of the Code and in compliance thereof, the Nominating Committee ("NC") was formed on 20 November 2002.

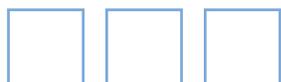
The following persons are the members of the NC as at the date of this report: -

- Mr Ong Kian Min (Chairman and Independent Director)
- Dr Chao Pei (Independent Director)
- Mr Randolph Liu Lu Chun (Executive Director)

The primary function of the NC is to determine the criteria for identifying candidates and reviewing nominations for the appointment of Directors to the Board and also to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval. Its duties and functions are outlined as follows: -

- a. to make recommendations to the Board on all board appointments and re-nomination having regard to the Director's contribution and performance (e.g. preparedness, participation, sincerity and any other relevant factors);
- b. to ensure that all Directors (other than the Chairman of the Board) would be required to submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;
- c. to determine annually whether a Director is independent, guided by the independent guidelines contained in the Code.
- d. to decide whether a Director is able to and has adequately carried out his duties as a Director of the Company in particular where the Director concerned has multiple board representations.
- e. to decide how the Board's performance may be evaluated and propose objective performance criteria.

With effect from 2003, the NC will evaluate the Board's performance as a whole and the measurement criteria adopted would be both qualitative and quantitative.



[Corporate Governance Statement & Risk Management]

Principle 6: Access to Information

The Board has separate and independent access to senior management of the Group at all times. Management deals with requests for information from the Board promptly. The Board is informed of all material events and transactions as and when they occur.

The company secretary attends all board meetings and is responsible to ensure that established procedures and all relevant statutes and regulations that are applicable to the Group are complied with. The company secretary works together with the management staff to ensure the Group complies with all rules and regulations that are applicable.

ACCOUNTABILITY AND AUDIT

Principle 11: Audit Committee

Principle 12: Internal Controls

Principle 13: Internal Audit

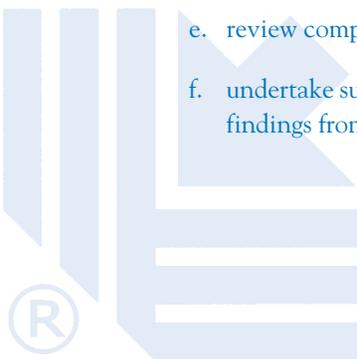
The Audit Committee (“AC”) comprises three Directors, the majority of whom, including the Chairman, are independent.

At the date of this report, the AC comprises the following members: -

- Mr Ong Kian Min Chairman and Independent Director
- Dr Chao Pei Independent Director
- Ms Huang Chiu Chu Non-Independent / Non- Executive Director

The AC held regular meetings to discuss and review the following: -

- a. the audit plan of the external auditors, their evaluation, findings and recommendations to the adequacy of the Company’s accounting systems and internal controls, the co-operation and assistance given by the management to the external auditors and discuss problems and concerns, if any, arising from the audits, and any matters which the auditors may wish to discuss (in the absence of management where necessary);
- b. review the half-year and annual financial statements before submission to the Board for approval, focusing in particular compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- c. recommend to the Board of Directors the re-appointment of the external auditors and the audit fee;
- d. reviews interested person transactions, if any;
- e. review compliance with regulations of the Singapore Exchange Listing Manual; and
- f. undertake such other reviews and projects as may be requested by the Board and will report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee.



[Corporate Governance Statement & Risk Management]

The Board recognised the importance for adequate resources to be dedicated to the internal audit function but considering the existing organisation structure and the operation of the Group, the Board is comfortable with the current arrangement where the Chief Financial Officer oversees the internal audit function.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and mix of Remuneration

Principle 9: Disclosure on Remuneration

Pursuant to the recommendations under the Code and in compliance thereof, a Remuneration Committee (“RC”) was formed on 20 November 2002.

The RC has three members, a majority of whom are Directors who are independent of Management and free from any business or other relationships, which may materially interfere with the exercise of their independent judgement. The RC is chaired by an Independent Non-Executive Director. All members of the RC are experienced professionals, having managed businesses and departments in their past and/or current careers, and are familiar in the area of executive compensation. If required, the RC will have access to expert advice inside and/or outside the Company.

As at the date of this Report, the Remuneration Committee members are: -

- Dr Chao Pei (Chairman and Independent Director)
- Mr Ong Kian Min (Independent Director)
- Mr Randolph Liu Lu Chun (Executive Director)

The role of the RC is to review and approve recommendations on remuneration policies and packages for Directors and key executives. The review will cover all aspects of remuneration including but not limited to Directors’ fees, salaries, allowances, bonus, options and benefits in kind. The Committee’s recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board.

The RC is also responsible for administering the LANKom Electronics Share Option Plan 2002 and the LANKom Electronics Performance Share Plan 2002; both schemes were only established in November 2002 in accordance with their respective rules.

Both the CEO and Executive Directors’ remuneration package include the variable component in the form of bonus that is measured in relation to the performance of the Group.

The Non-Executive Independent Directors receive Directors’ fees that are subject to shareholders’ approval at the Company’s Annual General Meeting (“AGM”).



[Corporate Governance Statement & Risk Management]

For competitive reasons and in order to maintain confidentiality of employee remuneration matters, the Company have resolved not to disclose the remuneration of our individual Directors and key executives (who are not also Directors). However, we have disclosed the band of remuneration in the respective note to the financial statements.

COMMUNICATION WITH SHAREHOLDERS

Principle 10: Accountability

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

The Company does not practise selective disclosure. In line with continuous obligations of the Company pursuant to the Singapore Exchange's Listing Rules, the Board's policy is that all shareholders should be equally informed of all major developments impacting the Group.

The Company has adopted quarterly results reporting with effect from 2003.

All shareholders of the Company receive the annual report and notice of AGM at least 21 working days before the meeting. At AGMs, shareholders are given the opportunity to voice their views and ask Directors or management questions regarding the Company. The Chairmen of the Audit, Remuneration and Nominating Committees will be normally present at future annual general meetings to answer any questions relating to the work of these committees.

DEALING IN SECURITIES

The Group has procedures in place prohibiting dealings in the Company's shares by its officers while in possession of price sensitive information and during the period commencing one month prior to the announcement of the Company's quarterly and full year results. Directors and executives are also expected to observe insider-trading laws at all times even when dealing in securities within permitted trading period.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Board of Directors confirms that for the financial year ended 31 December 2002; the Company has make a conscientious effort to comply with the principal corporate governance recommendations set out in the Code other than the various departures for which reasons have been set out in the respective paragraphs above.



[Corporate Governance Statement & Risk Management]

The number of Board meetings and meetings of various committees established by the Board held in the year are as follows:

Name of Directors	Board of Directors		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr Albert Liu Lu Ta	4	4	na	na	na	na	na	na
Mr Randolph Liu Lu Chun	4	4	4	4	1	1	1	1
Mr Ho Wai Hung (note a)	4	1	na	na	na	na	na	na
Dr Chao Pei	4	4	4	4	1	1	1	1
Mr Ong Kian Min	4	4	4	4	1	1	1	1
Ms Huang Mei Chu	4	0	na	na	na	na	na	na
Ms Huang Chiu Chu (note b)	4	3	4	0	na	na	na	na

Notes:

(a) Mr Ho Wai Hung was appointed as Executive Director on 20 November 2002.

(b) The appointment of Ms Huang Chiu Chu to the Audit Committee is only effective in FY 2003.

RISK MANAGEMENT

1. Rapid technology changes

The datacommunications, telecommunications and PC industries are characterized by rapid technological changes and quick product obsolescence. It is therefore important that we must continue to be able to develop new products and or modify our existing products on a regular and timely basis to maintain our competitiveness.

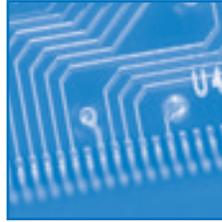
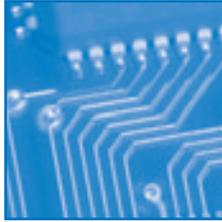
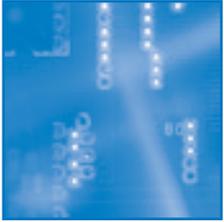
2. Competition from other manufacturers

Given the high growth potential in the industries that we operate in, there is no assurance that we will not face competition from other manufacturers of EM components, especially when they are more successful in delivering good quality and reliable components with attractive pricing on time.

3. Foreign exchange risks

Our revenue and cost are primarily denominated in US\$ or RMB while the reporting currency of our financial results are in NT\$. There is therefore an exchange transaction risk which may affect the operating results of our Group.





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[Directors' Report]

The Directors are pleased to present their report to the members together with the audited financial statements of LANKom Electronics Limited (the "Company") and the consolidated financial statements of the Company and subsidiary companies (the "Group") for the financial year ended 31 December 2002.

DIRECTORS

The Directors of the Company in office at the date of this report are:

Albert Liu Lu Ta (Chairman)
Randolph Liu Lu Chun
Huang Mei Chu
Huang Chiu Chu
Ong Kian Min
Chao Pei
Ho Wai Hung

In accordance with the Company's Bye-laws, Messrs. Ong Kian Min and Chao Pei, retire by rotation and, being eligible, offer themselves for re-election.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are shown in Note 11 to the financial statements.

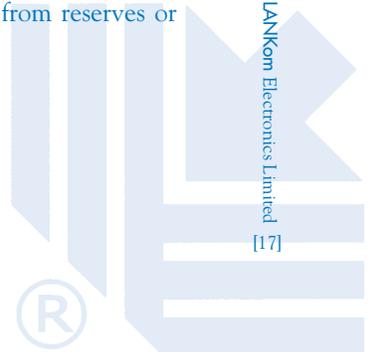
There have been no significant changes in the nature of these activities during the financial year.

RESULTS FOR THE FINANCIAL YEAR

	<u>Group</u>	<u>Company</u>
	NT\$'000	NT\$'000
Profit/(loss) after tax	29,692	(17,657)

TRANSFERS TO OR FROM RESERVES OR PROVISIONS

Except as shown in the financial statements, there were no other material transfers to or from reserves or provisions during the financial year.



[Directors' Report]

ACQUISITION OR DISPOSAL OF SUBSIDIARY COMPANIES

During the financial year,

- (i) the Company incorporated the following subsidiary company:

Name of Company	Country of incorporation	Issued share capital
LANKom (Singapore) Pte Ltd	Singapore	2 ordinary shares of S\$1 each

- (ii) the Company dissolved the following subsidiary company:

Name of Company	Country of incorporation	Equity interest held	Consideration	Net tangible assets on date of dissolution
		%		
LANKom Electronics, Inc.	United States of America	100	Nil	US\$5,000

Except as disclosed above, there were no acquisitions or disposals of subsidiary companies during the financial year.

ISSUE OF SHARES OR DEBENTURES

During the financial year, the Company made a bonus issue of 37,844,000 new ordinary shares of US\$0.02 each, credited as fully paid, by way of capitalisation of the share premium account of the Company, to be allocated to shareholders on the basis of one Bonus Share for every five existing shares of US\$0.02 each in the capital of the Company held by the shareholders.

No other shares or debentures were issued by the Company or its subsidiary companies during the financial year.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The Directors who held office at the end of the financial year had, according to the register of Directors' shareholdings required to be kept, no interest in shares of the Company and its related corporations except as stated below:

	Held in the name of Director			Deemed interest		
	At	At	At	At	At	At
	1 January 2002	31 December 2002	21 January 2003	1 January 2002	31 December 2002	21 January 2003
The Company						
Ordinary shares of US\$0.02 each						
Albert Liu Lu Ta	78,434,048	94,120,857	94,120,857	-	-	-
Randolph Liu Lu Chun	13,840,488	16,608,585	16,608,585	-	-	-
Huang Mei Chu	18,400,000	22,080,000	22,080,000	-	-	-
Huang Chiu Chu	-	-	-	78,434,048	94,120,857	94,120,857

Madam Huang Chiu Chu being the wife of Mr. Albert Liu Lu Ta, is deemed to be interested in the shares held by Mr. Albert Liu Lu Ta.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

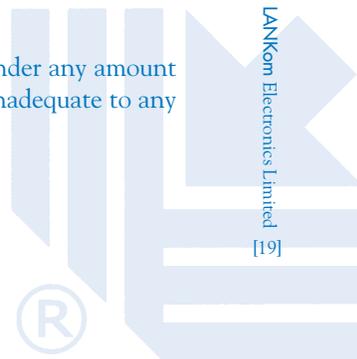
DIVIDENDS

No dividend has been paid, declared or recommended since the end of the previous financial year.

BAD AND DOUBTFUL DEBTS

Before the preparation of the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and have satisfied themselves that all known bad debts if any have been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render any amount written off or provided for bad and doubtful debts in the consolidated financial statements inadequate to any substantial extent.



[Directors' Report]

CURRENT ASSETS

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ascertain that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or adequate provision had been made for the diminution in values of such current assets.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the consolidated financial statements misleading.

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

Since the end of the financial year and up to the date of this report, no charge on the assets of the Company or any other corporation in the Group has arisen which secures the liabilities of any other person and no contingent liability has arisen.

ABILITY TO MEET OBLIGATIONS

No contingent or other liability of the Company or any other corporation in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company and of the Group to meet their obligations as and when they fall due.

OTHER CIRCUMSTANCES AFFECTING THE FINANCIAL STATEMENTS

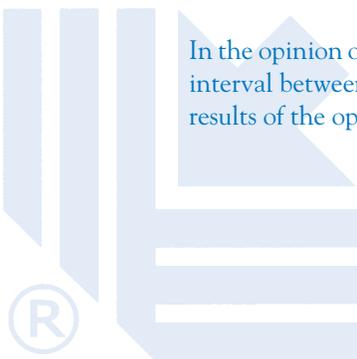
At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or in the consolidated financial statements which would render any amount stated in the financial statements of the Company and the consolidated financial statements misleading.

UNUSUAL ITEMS

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has substantially affected the results of the operations of the Company and of the Group during the financial year.

UNUSUAL ITEMS AFTER THE FINANCIAL YEAR

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made.



SHARE OPTIONS

The LANKom Share Option Plan 2002 (“Share Option Plan”) was approved by shareholders of the Company at a Special General Meeting held on 20 November 2002. The Share Option Plan allows the grant of share options to full-time employees (including Executive Directors), Non-Executive Directors and Associated Company Employees (excluding persons who are controlling shareholders or associates of a controlling shareholder) to subscribe for ordinary shares of US\$0.02 each in the capital of the Company.

The Board of Directors of the Company was authorised to establish a committee in accordance with the provisions of the Share Option Plan. Under the Share Option Plan, the Committee may grant options, and the subscription price shall be determined and fixed by the Committee and shall be either the market price or the nominal value of the share, whichever is higher; or a price set up to a maximum discount of 20% of the market value or the nominal value of the shares, whichever is the higher.

The LANKom Electronics Performance Share Plan 2002 (“Share Plan”) was also approved by shareholders of the Company at the Special General Meeting held on 20 November 2002. The Board of Directors were also authorised to establish a Committee to administer the Share Plan.

The Share Plan allows awards of fully paid ordinary shares of US\$0.02 each in the capital of the Company, free-of-charge, to full-time employees (including Executive Directors), Non-Executive Directors and Associated Company Employees (excluding persons who are controlling shareholders or associates of a controlling shareholder) subject to certain prescribed performance targets being met. All awards are at the absolute discretion of the Committee.

At the end of the financial year, there has not been any grant of options/awards pursuant to the Share Option Plan or Share Plan.



[Directors' Report]

AUDITOR

The Board of Directors has recommended that Ernst & Young be reappointed as auditor at the forthcoming Annual General Meeting of the Company.

Ernst & Young, Certified Public Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board,

Albert Liu Lu Ta
Director

Randolph Liu Lu Chun
Director

Singapore
22 April 2003



[Statement by Directors]

We, Albert Liu Lu Ta and Randolph Liu Lu Chun, being two of the Directors of Lankom Electronics Limited, do hereby state that, in the opinion of the Directors,

- (i) the accompanying balance sheets, profit and loss accounts, statements of changes in equity and consolidated cash flow statement together with the notes thereto, set out on pages 25 to 51 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2002 and of the results and changes in equity of the business of the Company and of the Group and cash flows of the Group for the year then ended, and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

Albert Liu Lu Ta
Director

Randolph Liu Lu Chun
Director

Singapore
22 April 2003



[Auditor's Report] to the Members of Lankom Electronics Limited

We have audited the financial statements of LANKom Electronics Limited (the "Company") and the consolidated financial statements of LANKom Electronics Limited and subsidiary companies (the "Group") set out on pages 25 to 51. These financial statements comprise the balance sheets of the Company and the Group as at 31 December 2002, the profit and loss accounts and statements of changes in equity of the Company and the Group and the cash flow statement of the Group for the year then ended and notes thereto. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements for the year ended 31 December 2001, were audited by other auditors, whose report dated 25 April 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of the Company and the consolidated financial statements of the Group present fairly, in all material respects, the financial position of the Company and of the Group as of 31 December 2002 and of the results and changes in equity of the Company and of the Group and the cashflows of the Group for the year then ended in accordance with Statements of Accounting Standards in Singapore.

ERNST & YOUNG
Certified Public Accountants

Singapore
22 April 2003



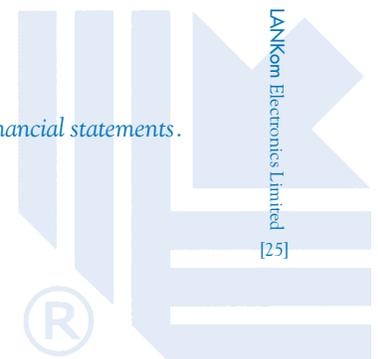
[Profit and Loss Accounts]

for the year ended 31 December 2002

(Amounts in New Taiwan dollars)

	Note	Group		Company	
		2002 NT\$'000	2001 NT\$'000	2002 NT\$'000	2001 NT\$'000
Turnover	3	360,773	305,509	-	-
Cost of sales		(267,420)	(195,093)	-	-
Gross profit		93,353	110,416	-	-
Distribution and selling expenses		(4,464)	(2,663)	-	-
Administration expenses		(56,681)	(49,778)	(5,735)	(2,134)
Other operating expenses		(1,920)	(4,920)	(11,919)	-
Profit/(loss) from operations	4	30,288	53,055	(17,654)	(2,134)
Financial income	7	947	8,085	-	-
Financial expenses	7	(670)	(496)	(3)	(3)
Profit/(loss) before income tax		30,565	60,644	(17,657)	(2,137)
Income tax	8	(873)	(6,493)	-	-
Profit/(loss) attributable to shareholders		29,692	54,151	(17,657)	(2,137)
Earnings per share	9				
Basic		14.13 cents	29.42 cents		
Diluted		14.13 cents	29.42 cents		

The accounting policies and explanatory notes on pages 30 through 51 form an integral part of the financial statements.



[Balance Sheets]

as at 31 December 2002

(Amounts in New Taiwan dollars)

	Note	Group		Company	
		2002 NT\$'000	2001 NT\$'000 (Restated)	2002 NT\$'000	2001 NT\$'000
ASSETS LESS LIABILITIES					
Non-current assets					
Fixed assets	10	73,245	25,774	451	287
Investments in subsidiary companies	11	-	-	97,468	97,634
Long-term investment	12	20,430	-	-	-
Construction in progress	13	66,875	-	-	-
Deferred tax assets	8	3,932	4,792	-	-
Current assets					
Stocks	14	100,893	73,438	-	-
Trade debtors	15	111,101	100,829	-	-
Other debtors	16	3,659	30,200	327	310
Due from a subsidiary company (non-trade)	17	-	-	278,047	264,908
Short-term investment	18	-	20,503	-	-
Cash and cash equivalents	23	277,338	298,930	311	493
		492,991	523,900	278,685	265,711
Current liabilities					
Trade creditors		40,059	34,447	-	-
Other creditors and accruals	19	36,561	14,411	1,324	193
Due to subsidiary companies (non-trade)	17	-	-	32,515	14,965
Provision for income tax		31,353	30,131	-	-
Long-term bank loan (current portion)	20	2,050	-	-	-
		110,023	78,989	33,839	15,158
Net current assets		382,968	444,911	244,846	250,553
Non-current liability					
Long-term bank loan	20	(27,675)	-	-	-
NET ASSETS		519,775	475,477	342,765	348,474
EQUITY					
Share capital	21	151,783	125,292	151,783	125,292
Reserves	22	367,992	350,185	190,982	223,182
TOTAL EQUITY		519,775	475,477	342,765	348,474

The accounting policies and explanatory notes on pages 30 through 51 form an integral part of the financial statements.



[Statements of Changes in Equity]

for the year ended 31 December 2002

(Amounts in New Taiwan dollars)

Group	Share capital	Share premium	Translation reserve	Merger reserve	Statutory reserve	Revenue reserve	Total
	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000
Balance at 1 January 2001	12,004	-	-	-	356	146,884	159,244
Issue of 147,200,000 ordinary shares of US\$0.02 each at par, as consideration for the acquisition of the entire equity interest in LANKom Global Limited and subsidiary companies pursuant to the Group Restructuring Exercise #	97,469	-	-	-	-	-	97,469
Arising from the Group Restructuring Exercise	(12,004)	-	-	(85,468)	-	-	(97,472)
Issue of 6,520,000 ordinary shares of US\$0.02 each at par to Alliance Capital Asia for professional services rendered pursuant to the initial public offering	4,317	-	-	-	-	-	4,317
Issue of 35,500,000 ordinary shares of US\$0.02 each at S\$0.425 per share pursuant to the initial public offering	23,506	262,734	-	-	-	-	286,240
Expenses in connection with the initial public offering @	-	(37,389)	-	-	-	-	(37,389)
Translation differences	-	-	4,125	-	-	-	4,125
Profit attributable to shareholders	-	-	-	-	-	54,151	54,151
Appropriation to statutory reserve	-	-	-	-	46	(46)	-
Balance at 31 December 2001 as previously stated	125,292	225,345	4,125	(85,468)	402	200,989	470,685
Effect of changes in accounting policy - SAS 12	-	-	-	-	-	4,792	4,792
Restated balance at 31 December 2001	125,292	225,345	4,125	(85,468)	402	205,781	475,477
Issue of 37,844,000 bonus shares of US\$0.02 each at par by way of capitalisation of share premium	26,491	(26,491)	-	-	-	-	-
Expenses incurred in relation to issue of bonus shares	-	(339)	-	-	-	-	(339)
Translation differences	-	-	14,945	-	-	-	14,945
Profit attributable to shareholders	-	-	-	-	-	29,692	29,692
Balance at 31 December 2002	151,783	198,515	19,070	(85,468)	402	235,473	519,775



[Statements of Changes in Equity]

for the year ended 31 December 2002

(Amounts in New Taiwan dollars)

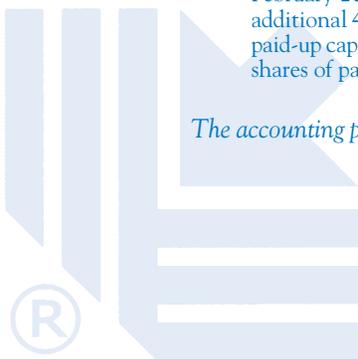
Company	Share capital	Share premium	Translation reserve	Revenue reserve	Total
	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000
Balance at 24 November 2000, representing balance at 31 December 2000 *	-	-	-	-	-
Issue of 147,200,000 ordinary shares of US\$0.02 each at par, as consideration for the acquisition of the entire equity interest in LANKom Global Limited and subsidiary companies pursuant to the Group Restructuring Exercise #	97,469	-	-	-	97,469
Issue of 6,520,000 ordinary shares of US\$0.02 each at par to Alliance Capital Asia for professional services rendered pursuant to the initial public offering	4,317	-	-	-	4,317
Issue of 35,500,000 ordinary shares of US\$0.02 each at S\$0.425 per share pursuant to the initial public offering	23,506	262,734	-	-	286,240
Expenses in connection with the initial public offering @	-	(37,389)	-	-	(37,389)
Translation differences	-	-	(26)	-	(26)
Loss attributable to shareholders	-	-	-	(2,137)	(2,137)
Balance at 31 December 2001	125,292	225,345	(26)	(2,137)	348,474
Issued of 37,844,000 bonus shares of US\$0.02 each at par by way of capitalisation of share premium	26,491	(26,491)	-	-	-
Expenses incurred in relation to issue of bonus shares	-	(339)	-	-	(339)
Translation differences	-	-	12,287	-	12,287
Loss attributable to shareholders	-	-	-	(17,657)	(17,657)
Balance at 31 December 2002	151,783	198,515	12,261	(19,794)	342,765

Included in the 147,200,000 ordinary shares are the 600,000 nil-paid shares carried by the founding shareholders which were deemed to be credited as fully paid at par.

@ Included in this balance is amount paid to the previous auditor of the Company, amounting to approximately NT\$6,800,000 in 2001.

* The Company was incorporated on 24 November 2000 with an initial authorised share capital of US\$12,000 of which 12,000 ordinary shares of par value US\$1 each were allocated and issued to the founding shareholders, nil-paid. On 3 February 2001, the authorised share capital of the Company was increased to US\$50,000,000 by the creation of an additional 49,988,000 ordinary share of US\$1 each. Each ordinary share of US\$1 each in the authorised and issued and paid-up capital of the Company was sub-divided into 50 ordinary shares of US\$0.02 each. Therefore, the 12,000 ordinary shares of par value US\$1 each, were sub-divided into 600,000 nil-paid ordinary shares of US\$0.02 each.

The accounting policies and explanatory notes on pages 30 through 51 form an integral part of the financial statements.



[Consolidated Statement of Cash Flows]

for the year ended 31 December 2002
(Amounts in New Taiwan dollars)

	Note	2002 NT\$'000	2001 NT\$'000
Cash flows from operating activities			
Profit before tax		30,565	60,644
Adjustments:			
Depreciation of fixed assets		9,240	6,268
Fixed assets written off		366	-
Loss on disposal of short-term investment		1,637	-
(Write back)/provision for diminution in value of short-term investment		(697)	697
Provision for diminution in value of long-term investment		8,102	-
Interest expense		522	405
Interest income		(947)	(8,085)
Operating profit before working capital changes		48,788	59,929
(Increase)/decrease in stocks		(27,455)	1,816
Increase in debtors		16,269	21,916
Increase/(decrease) in creditors and accruals		27,762	(32,930)
Cash generated from operations		65,364	50,731
Interest paid		(522)	(405)
Interest received		947	8,085
Income taxes paid		(105)	(2,092)
Translation differences		16,259	6,480
Net cash from operating activities		81,943	62,799
Cash flows from investing activities			
Increase in construction-in-progress		(66,875)	-
Purchase of fixed assets		(56,171)	(11,624)
Long-term investment		(28,532)	(21,200)
Proceeds from disposal of short-term investment		19,563	-
Translation differences		(906)	(1,024)
Net cash used in investing activities		(132,921)	(33,848)
Cash flows from financing activities			
Proceeds from bank loan		29,725	-
Proceeds from issuance of shares		-	286,240
Repayment from a director		-	3,874
Share issuance expenditure paid		(339)	(21,006)
Net cash from financing activities		29,386	269,108
Net (decrease)/increase in cash and cash equivalents		(21,592)	298,059
Cash and cash equivalents at beginning of year	23	298,930	871
Cash and cash equivalents at end of year	23	277,338	298,930

The accounting policies and explanatory notes on pages 30 through 51 form an integral part of the financial statements.



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 24 November 2000 as an exempted company limited by shares.

The Company was admitted to the Official List of the Singapore Exchange Securities Trading Limited on 23 February 2001.

The registered office of the Company is located at Clarendon House, 2 Church Street, P.O. Box HM 666 Hamilton HM CX, Bermuda. The principal place of its business is located at the Republic of China, Taiwan.

The Company is an investment holding company. The principal activities of the subsidiary companies are shown in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements of the Company and the consolidated financial statements of the Company and subsidiary companies for the year ended 31 December 2002 were authorised for issue in accordance with a directors' resolution dated 22 April 2003.

The Group and Company employed 23 and 2 (2001: 18 and 1) employees as at 31 December 2002.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of preparation*

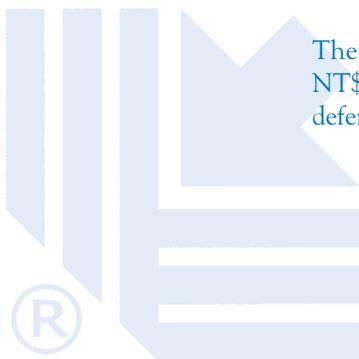
The financial statements of the Group and the Company, which are expressed in New Taiwan dollars, are prepared in accordance with Singapore Statements of Accounting Standard ("SAS") and under the historical cost convention.

(b) *Change in accounting policy*

On 1 January 2002, the Group and the Company adopted SAS 12 (2001), *Income Taxes*.

In accordance with SAS 12, a deferred tax liability is recognised for all taxable temporary differences. Previously, a deferred tax liability was recognised for timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. Arising from the adoption of SAS 12, the Group commenced to recognise deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profits will be available against which the deductible temporary differences can be utilised.

The financial effect of this change in accounting policy resulted in a credit adjustment of NT\$4,792,000 to the opening balance of revenue reserve of the Group and the recognition of deferred tax assets of the corresponding amount.



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) *Basis of consolidation*

The accounting year of the Company and all its subsidiary companies in the Group ends on 31 December and the consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies using the purchase method of accounting. The results of subsidiary companies acquired or disposed of during the year are included or excluded from the respective dates of acquisition or disposal, as applicable. All intercompany balances, transactions and unrealised profit or loss on intercompany transactions are eliminated on consolidation.

When a subsidiary company is acquired, any difference between the consideration paid and the fair value of net assets acquired is amortised on a straight-line basis to the consolidated profit and loss accounts over 10 years.

The financial statements of the subsidiary companies whose functional currencies are currencies other than New Taiwan dollars are translated into New Taiwan dollars using the closing rate method. Assets and liabilities of these subsidiary companies are translated into New Taiwan dollars at the exchange rates in effect at the balance sheet date. Share capital and reserves are translated at historical exchange rates. All profit and loss accounts are translated using average exchange rates for the year. Exchange differences arising on translation are accounted for as currency translation reserve in shareholders' equity.

(d) *Investments in subsidiary companies*

Investments in subsidiary companies are stated at cost in the financial statements of the Company. Provision is made where there is a decline in value that is other than temporary.

A subsidiary company is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of Directors.

(e) *Fixed assets*

Fixed assets are stated at cost, net of depreciation and any impairment in value. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are charged to the profit and loss accounts in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed assets, the expenditure is capitalised as an additional cost of the fixed assets.

Depreciation on the relevant assets are charged to the profit and loss accounts on the basis outlined in paragraph (f) below.



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) *Fixed assets (cont'd)*

When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss accounts.

(f) *Depreciation*

Depreciation is calculated on a straight-line method to write off the cost, less estimated residual value, of the fixed asset over its estimated useful lives as follows:

Land and building	50 years
Leasehold improvements	3 - 5 years
Machinery and equipment	5 years
Furniture and office equipment	1 - 5 years
Motor vehicle	5 years

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charges for depreciation is made in respect of these assets.

(g) *Operating leases*

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss accounts on a straight-line basis over the lease term.

(h) *Investments*

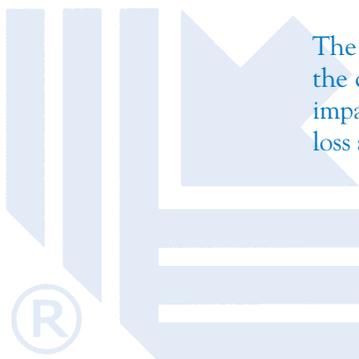
Investments held on a long-term basis are stated at cost less impairment loss, if any. Market value is the market price at the year end date.

Investments held on a short term basis are stated at the lower of cost and net realisable value determined on a portfolio basis. Cost is determined on a weighted average basis.

(i) *Impairment of assets*

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. All impairment losses are recognised in the profit and loss accounts whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The impairment loss is only revised to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All reversals of impairment are recognised in the profit and loss accounts.



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) *Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost of raw materials includes materials and all direct expenditure, determined on a first-in, first-out basis. Cost of work-in-progress and finished goods includes direct materials, direct labour and an attributable proportion of production overheads.

Net realisable value is the estimated normal selling price, less estimated costs necessary to make the sale.

Provision is made for obsolete, slow moving or defective stocks where appropriate.

(k) *Trade and other debtors*

Trade debtors, which generally have 30 - 120 day terms, are recognised and carried at original invoiced amount less provision for doubtful debts. Other debtors and balance due from a subsidiary company are recognised and carried at cost. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(l) *Cash and cash equivalents*

Cash consists of cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at cost.

(m) *Trade and other creditors*

Trade and other creditors, which are normally settled on 90 - 120 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Amounts due to subsidiary companies are carried at cost.

(n) *Loans and borrowings*

Loans and other borrowings are recognised at cost.

(o) *Provisions*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) *Employee benefits*

Defined contribution plan

As required by law, the Group makes contributions to the state pension scheme in accordance with local regulatory requirements. The pension contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(q) *Construction-in-progress*

Construction-in-progress consists of land leased, related acquisition expenses and construction costs incurred during the period of construction, which will be depreciated over the term of the lease when the development is ready for occupation or transferred to the profit and loss account on disposal.

(r) *Revenue recognition*

Revenue is recognised on the following bases:

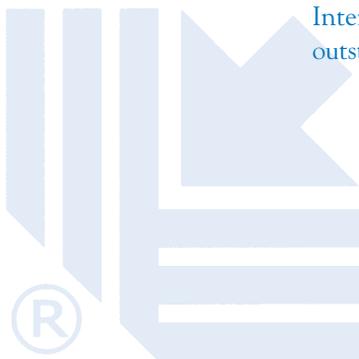
Turnover

Turnover represents the invoiced value of goods and net of value-added tax ("VAT") supplied to customers. Sales are recognised upon delivery of goods and passage of title to customers. Deposits or advance payments from customers prior to delivery of goods and passage of title of merchandise are recorded as receipts in advance.

All of the Group's sales made in Taiwan are subject to the Taiwan value-added tax at a rate of 5% ("output VAT"). Such output VAT is payable after offsetting VAT paid by the Group on purchases ("input VAT").

Interest income

Interest income from bank deposits is recognised on a time proportion basis on the principal outstanding and at the rate applicable.



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) *Income tax*

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies, except where timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

(t) *Foreign currencies*

Transactions in currencies other than the functional currencies of the individual companies within the Group during the year are translated into the respective functional currencies at exchange rates in effect at the time of the transactions. Monetary assets and liabilities denominated in currencies other than the functional currencies at the balance sheet date are translated into the respective functional currencies at the rates of exchange in effect at the balance sheet date. All resulting exchange gains and losses are dealt with in the profit and loss accounts of the individual companies.

(u) *Financial instruments*

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable and investments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

(v) *Segments*

For management purposes, the Group is organised on a world-wide basis into two major operating geographical locations, namely Taiwan and the Peoples' Republic of China (the "PRC").



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Segments (cont'd)

Geographical locations is the basis on which the Group reports its primary segment information. Segment revenue, expenses and results include transfers between geographical segments.

Turnover of the Group is primarily derived from the manufacturing and trading of electromagnetic components. Accordingly, it is not meaningful to present segmental information by business segments.

3. TURNOVER

	Group		Company	
	2002 NT\$'000	2001 NT\$'000	2002 NT\$'000	2001 NT\$'000
Sale of goods	360,773	305,509	-	-

4. PROFIT/(LOSS) FROM OPERATIONS

This is determined after (charging)/crediting the following:

	Group		Company	
	2002 NT\$'000	2001 NT\$'000	2002 NT\$'000	2001 NT\$'000
Auditors' remuneration				
- Auditors of the Company *				
- Statutory audit	(1,404)	(1,650)	-	-
- Non-audit services	-	-	-	-
- Other auditors	(300)	(450)	-	-
Bad debts written off				
- trade debtors	(18)	-	-	-
- subsidiary	-	-	(11,919)	-
Depreciation of fixed assets	(9,240)	(6,268)	(188)	(11)
Directors' emoluments				
- Directors' fees	(913)	(749)	-	-
- Directors' remuneration	(9,582)	(15,000)	-	-
Fixed assets written off	(366)	-	-	-
Foreign exchange gain/(loss)	6,803	(4,223)	(3)	-
Loss on disposal of investment	(1,637)	-	-	-
Provision for diminution in value				
- of long-term investment	(8,102)	-	-	-
Staff costs (note 5)	(17,830)	(12,978)	(1,202)	(420)
Write back of/(provision for) diminution				
- in value of short-term investment	697	(697)	-	-

* Auditors' remuneration of the Company is borne by a subsidiary company.



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

5. STAFF COSTS

	Group		Company	
	2002 NT\$'000	2001 NT\$'000	2002 NT\$'000	2001 NT\$'000
Staff costs				
- Wages and salaries	16,630	12,192	1,038	286
- Pension contribution	230	293	156	134
- Other personnel benefits	970	493	8	-
	17,830	12,978	1,202	420

6. DIRECTORS' EMOLUMENTS

Analysis of Directors' emoluments by number of Directors and emolument ranges of NT\$Nil, NT\$4,999,999 and NT\$9,999,980 (equivalent to approximately ranges of S\$Nil, S\$250,000 and S\$500,000) is as follows:

	Group	
	2002 NT\$'000	2001 NT\$'000
NT\$Nil to NT\$4,999,999	6	4
NT\$5,000,000 to NT\$9,999,980	1	2
	7	6

7. FINANCIAL INCOME/EXPENSES

	Group		Company	
	2002 NT\$'000	2001 NT\$'000	2002 NT\$'000	2001 NT\$'000
Financial income				
Interest income				
- bank balances	825	40	-	-
- fixed deposits	122	8,045	-	-
	947	8,085	-	-
Financial expenses				
Interest expense				
- bank loans	(522)	(405)	-	-
Bank charges	(148)	(91)	(3)	(3)
	(670)	(496)	(3)	(3)



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

8. INCOME TAX

	Group		Company	
	2002 NT\$'000	2001 NT\$'000	2002 NT\$'000	2001 NT\$'000
Current tax				
- foreign	13	6,493	-	-
Deferred tax	860	-	-	-
	873	6,493	-	-

A wholly-owned subsidiary company, LANKom Electronics Co., Ltd., incorporated in Taiwan, provides for Taiwan corporate income tax at 25% (2001: 25%) of its taxable profit. The companies in the British Virgin Islands are incorporated under the International Business Companies Act of the British Virgin Islands and accordingly, are exempted from payment of British Virgin Islands income taxes.

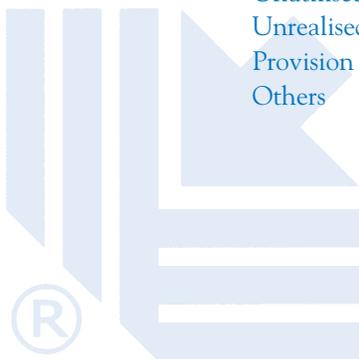
The Group's manufacturing activities are conducted in Zhuhai Special Economic Zone, Guangdong Province, the PRC. Accordingly, a portion of the Group's profit is subject to PRC enterprise income tax at a rate of 15% (2001: 15%).

A reconciliation of the statutory tax rate to the Group and the Company's effective tax rate applicable to income for the years ended 31 December was as follows:

	Group		Company	
	2002 %	2001 %	2002 %	2001 %
Tax at the domestic rates applicable to profits in the countries concerned	(4.66)	11.52	-	-
Tax effect of non-taxable foreign income in determining taxable profit	(1.07)	(1.77)	-	-
Tax effect of expenses not deductible in determining taxable profits	8.00	-	-	-
Others	0.59	0.96	-	-
	2.86	10.71	-	-

DEFERRED TAX ASSETS

	Group		Company	
	2002 NT\$'000	2001 NT\$'000	2002 NT\$'000	2001 NT\$'000
Deferred tax assets relate to the following:				
Unutilised tax losses	2,897	2,297	-	-
Unrealised exchange loss, net	409	1,660	-	-
Provision for stock obsolescence	626	626	-	-
Others	-	209	-	-
	3,932	4,792	-	-



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

9. EARNINGS PER SHARE (BASIC AND DILUTED)

Earnings per share (basic and diluted) is calculated by dividing the net profit attributable to shareholders of NT\$29,692,000 (2001: NT\$54,151,000) by 210,163,803 (2001: 184,065,205), being the weighted average number of shares in issue during the financial year.

10. FIXED ASSETS

Group	Land and building	Leasehold improvements	Machinery and equipment	Furniture and office equipment	Motor vehicle	Total
	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000
Cost						
At 1 January 2002	-	1,861	29,226	3,089	4,894	39,070
Additions	43,421	6,287	2,923	585	2,955	56,171
Disposal/write-off	-	(1,011)	-	-	-	(1,011)
Currency realignment	-	7	1,253	136	38	1,434
At 31 December 2002	43,421	7,144	33,402	3,810	7,887	95,664
Accumulated depreciation						
At 1 January 2002	-	646	10,799	1,195	656	13,296
Charge for the year	111	668	6,537	720	1,204	9,240
Disposal/write-off	-	(645)	-	-	-	(645)
Currency realignment	-	15	509	(6)	10	528
At 31 December 2002	111	684	17,845	1,909	1,870	22,419
Charge for 2001	-	266	4,906	483	613	6,268
Net book value						
At 31 December 2002	43,310	6,460	15,557	1,901	6,017	73,245
At 31 December 2001	-	1,215	18,427	1,894	4,238	25,774

Land and building of NT\$43,310,000 (2001: Nil) is mortgaged to secure bank loans for a subsidiary company (Note 20).



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

10. FIXED ASSETS (CONT'D)

Company	Leasehold improvements	Furniture and office equipment	Total
	NT\$'000	NT\$'000	NT\$'000
Cost			
At 1 January 2002	108	190	298
Transferred from a subsidiary company	-	309	309
Additions	-	28	28
Currency realignment	6	10	16
At 31 December 2002	114	537	651
Accumulated depreciation			
At 1 January 2002	4	7	11
Charge for the year	38	150	188
Currency realignment	-	1	1
At 31 December 2002	42	158	200
Charge for 2001	4	7	11
Net book value			
At 31 December 2002	72	379	451
At 31 December 2001	104	183	287

11. INVESTMENTS IN SUBSIDIARY COMPANIES

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity interest/ voting capital attributable to the Group		Cost	
		2002 %	2001 %	2002 NT\$'000	2001 NT\$'000
Held by the Company					
LANKom Global Limited # British Virgin Islands ("BVI")	Investment holding (BVI)	100	100	97,468	97,468
LANKom (Singapore) Pte Ltd ## (Singapore)	Dormant (Singapore)	100	-	~	-
LANKom Electronics, Inc. # @ United States of America ("USA")	Promotion and marketing of the Group's electromagnetic components (USA)	-	100	-	166
				97,468	97,634

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[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

11. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity interest/ voting capital attributable to the Group	
		2002 %	2001 %
Held by LANKom Global Limited			
Bright Union Resources Limited # (BVI)	Procurement of raw materials, import of raw materials and export of products (The PRC)	100	100
LANKom Electronics Co., Ltd. * (Republic of China ("Taiwan"))	Trading of electromagnetic components (Republic of China ("Taiwan"))	100	100
LANKom China Inc. # (BVI)	Dormant (Hong Kong)	100	100
LANKom Manufacturing Inc. # (BVI)	Manufacture of electromagnetic components (The PRC)	100	100
LANKom Services Limited * (Hong Kong)	Provision of administrative services and logistics support to related companies (Hong Kong)	100	100
LANKom Sales Limited * (Hong Kong)	Provision of administrative services and logistics support to related companies (Hong Kong)	100	100
Held by LANKom China Inc			
Zhuhai LANKom Technology Co., Ltd (The PRC) #	Dormant (The PRC)	100	100

Unaudited because there is no audit requirement in the country of incorporation.

Unaudited as the company is newly incorporated and not due for audit yet.

* Audited by a member firm of Ernst & Young International.

@ Dissolved during the year.

~ Cost of investment of NT\$36.



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

11. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

On 17 September 2002, the Company dissolved a wholly-owned subsidiary company, LANKom Electronics, Inc. Operating income of NT\$2,487,383 (2001: operating loss of NT\$2,507,020) has been included in the profit and loss accounts for the financial year.

On 28 November 2002, the Company incorporated a wholly-owned subsidiary company, LANKom (Singapore) Pte Ltd with an issued and paid up capital of 2 ordinary shares of S\$1 each.

12. LONG-TERM INVESTMENT

	Group		Company	
	2002 NT\$'000	2001 NT\$'000	2002 NT\$'000	2001 NT\$'000
Quoted investment at cost	28,532	-	-	-
Less: Provision for diminution in value of long-term investment	(8,102)	-	-	-
Net	20,430	-	-	-
Market value	20,430	-	-	-

13. CONSTRUCTION-IN-PROGRESS

Construction-in-progress consists of land leased, related acquisition expenses and construction costs amounting to NT\$66,874,597 (2001: Nil).



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

14. STOCKS

	Group		Company	
	2002 NT\$'000	2001 NT\$'000	2002 NT\$'000	2001 NT\$'000
Finished goods at cost	39,958	22,836	-	-
Work-in-progress at cost	21,460	22,764	-	-
Raw materials at cost	43,475	31,838	-	-
	104,893	77,438	-	-
Provision for stock obsolescence	(4,000)	(4,000)	-	-
	100,893	73,438	-	-

There was no movement in provision for stock obsolescence during the financial year.

15. TRADE DEBTORS

	Group		Company	
	2002 NT\$'000	2001 NT\$'000	2002 NT\$'000	2001 NT\$'000
Trade debtors	112,101	101,829	-	-
Provision for doubtful debts	(1,000)	(1,000)	-	-
	111,101	100,829	-	-
Bad trade debts written off directly to profit and loss account	(18)	-	-	-

There was no movement in provision for doubtful debts during the financial year.



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

16. OTHER DEBTORS

	Group		Company	
	2002 NT\$'000	2001 NT\$'000	2002 NT\$'000	2001 NT\$'000
Sundry debtors	2,485	27,727	-	-
Deposits	390	707	327	310
Prepayments	784	1,766	-	-
	3,659	30,200	327	310

17. DUE FROM A SUBSIDIARY COMPANY/DUE TO SUBSIDIARY COMPANIES (NON-TRADE)

These non-trade balances are unsecured, interest-free and repayable on demand.

18. SHORT-TERM INVESTMENT

	Group		Company	
	2002 NT\$'000	2001 NT\$'000	2002 NT\$'000	2001 NT\$'000
Quoted investment, at cost	-	21,200	-	-
Less: Provision for diminution in value of quoted investment	-	(697)	-	-
	-	20,503	-	-
Market value	-	20,503	-	-

19. OTHER CREDITORS

	Group		Company	
	2002 NT\$'000	2001 NT\$'000	2002 NT\$'000	2001 NT\$'000
Sub-contractors for construction-in-progress	24,421	-	-	-
Accrued operating expenses	11,122	13,986	1,324	193
Others	1,018	425	-	-
	36,561	14,411	1,324	193



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

20. LONG-TERM BANK LOAN

	Group		Company	
	2002 NT\$'000	2001 NT\$'000	2002 NT\$'000	2001 NT\$'000
Current portion	2,050	-	-	-
Non-current portion	27,675	-	-	-
	29,725	-	-	-

The long-term bank loan bears interest at 2% to 2.875% per annum and is secured by the land and building of a subsidiary company (Note 10). The final maturity date of the bank loan is 21 June 2012.

21. SHARE CAPITAL

	Group and Company	
	2002 US\$'000	2001 US\$'000
Authorised:		
- 2,500,000,000 (2001: 2,500,000,000) ordinary shares of US\$0.02 each	50,000	50,000
	Group and Company	
	2002 NT\$'000	2001 NT\$'000
Issued and fully paid:		
Ordinary shares of US\$0.02 (2001: US\$1) each		
- Balance at beginning of the year		
- 189,220,000 (2001: 12,000) shares issued	125,292	12
- Nil (2001: 188,620,000) shares issued during the year	-	125,280
- 37,844,000 (2001: Nil) bonus shares issued during the year	26,491	-
- Balance at end of the year		
- 227,064,000 (2001: 189,220,000) shares issued	151,783	125,292

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

Pursuant to written resolutions passed on 26 April 2002, the shareholders of the Company approved, a bonus issue of 37,844,000 new ordinary shares of US\$0.02 each in the capital of the Company, credited as fully paid, by way of capitalisation of the share premium account of the Company, to be allocated to shareholders of the Company on the basis of one Bonus Share for every five existing shares of US\$0.02 each in the capital of the Company held by the shareholders.



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

22. RESERVES

	Group		Company	
	2002 NT\$'000	2001 NT\$'000	2002 NT\$'000	2001 NT\$'000
Share premium (a)	198,515	225,345	198,515	225,345
Translation reserve	19,070	4,125	12,261	(26)
Merger reserve (b)	(85,468)	(85,468)	-	-
Statutory reserve (c)	402	402	-	-
Revenue reserve (d)	235,473	205,781	(19,794)	(2,137)
	367,992	350,185	190,982	223,182

- (a) The share premium account may be applied only for the purposes specified in the Companies Act 1981 of Bermuda. The balance is not available for distribution of dividends except in the form of shares;
- (b) The merger reserve arose from the difference between the nominal value of shares issued for the acquisition of LANKom Global Limited and its subsidiary companies and the shares acquired ;
- (c) LANKom Electronics Co., Ltd., a subsidiary company, is required to appropriate 10% of its net profit, after offsetting any accumulated loss brought forward, to statutory reserve. Subject to the approval of shareholders, such reserve can be utilised to increase the paid-up capital when the statutory reserve reaches 50% of its paid-up capital. In addition, under the Company Law of Taiwan, when the statutory reserve equals the total paid-up capital, no further appropriation is required. As at 31 December 2002, the appropriated reserve amounted to approximately NT\$402,000 (2001: NT\$402,000), representing 3.35% (2001: 3.35%) of the total paid-up capital; and
- (d) Represents profit/(loss) retained in:

	2002 NT\$'000	2001 NT\$'000
		(Restated)
Company	(19,794)	(2,137)
Subsidiaries	255,267	207,918
	235,473	205,781



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002 NT\$'000	2001 NT\$'000	2002 NT\$'000	2001 NT\$'000
Cash and bank balances	277,338	67,177	311	493
Fixed deposit	-	231,753	-	-
Cash and cash equivalents	277,338	298,930	311	493

24. COMMITMENTS

(a) Non-cancellable operating lease commitments

Operating lease expenses of the Group and Company (principally for premises) was NT\$3,084,000 and NT\$1,332,000 (2001: NT\$1,455,000 and NT\$728,000) respectively for the year ended 31 December 2002.

The Group and the Company has various operating lease agreements for office premises, with lease commitments as follows:

	Group		Company	
	2002 NT\$'000	2001 NT\$'000	2002 NT\$'000	2001 NT\$'000
Future minimum lease payments				
- not later than 1 year	1,456	2,340	1,345	283
- 1 year through 5 years	560	1,985	560	1,790
	2,016	4,325	1,905	2,073

(b) Capital expenditure commitments

	Group		Company	
	2002 NT\$'000	2001 NT\$'000	2002 NT\$'000	2001 NT\$'000
Capital expenditure not provided for in the financial statements				
- commitments in respect of contracts placed	32,125	6,425	-	-



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

25. SEGMENT REPORTING

(a) By geographical segments

The Group's activities are conducted predominantly in Taiwan and the PRC (including Hong Kong). An analysis by geographical segments is as follows:

2002	Taiwan NT\$'000	The PRC NT\$'000	Elimination NT\$'000	Total NT\$'000
Turnover				
External sales	175,290	185,483	-	360,773
Inter-segment sales	24,425	155,561	(179,986)	-
Total revenue	199,715	341,044	(179,986)	360,773
Operating results				
Segment result	(6,258)	36,398	-	30,140
Interest expense				(522)
Interest income				947
Tax				(873)
Net profit attributable to shareholders				29,692
Other information				
Segment assets	411,335	246,138	-	657,473
Segment liabilities	(45,096)	(92,602)	-	(137,698)
Capital expenditure	50,456	72,899	(309)	123,046
Depreciation of fixed assets	2,124	7,116	-	9,240
Other non-cash expense	8,102	-	-	8,102



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

25. SEGMENT REPORTING (CONT'D)

(a) By geographical segments (cont'd)

2001	Taiwan	The PRC	Elimination	Total
	NT\$'000	NT\$'000	NT\$'000	NT\$'000
Turnover				
External sales	190,171	115,338	-	305,509
Inter-segment sales	30,425	174,982	(205,407)	-
Total revenue	220,596	290,320	(205,407)	305,509
Operating results				
Segment result	(9,477)	70,507	(8,066)	52,964
Interest expense				(405)
Interest income				8,085
Tax				(6,493)
Net profit attributable to shareholders				54,151
Other information				
Segment assets (restated)	44,345	510,121	-	554,466
Segment liabilities	(28,428)	(50,561)	-	(78,989)
Capital expenditure	5,818	5,806	-	11,624
Depreciation of fixed assets	1,350	4,918	-	6,268
Other non-cash expense	697	-	-	697

(b) By business segments

No segmental information is provided for turnover, operating profit and assets employed by business segments as the Group is principally engaged in manufacturing and trading of electromagnetic components.



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

26. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign exchange risk, market risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

It is the Group's policy not to trade in derivative contracts.

Interest rate risk

The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Surplus funds of the Group are placed with reputable banks, which generate interest income for the Group. The Group manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Foreign exchange risk

The Group generates revenue and incurs cost in foreign currencies, primarily the US dollars and Chinese Rmb, which gives rise to transactional currency exposure. The Group does not use any derivative financial instruments to hedge foreign currency exposures.

The Group's exposure to foreign exchange risk is primarily managed by natural hedges of matching assets and liabilities denominated in foreign currencies.

Market risk

The Group has investments in quoted equity shares, which are subject to market risk as the market values of the investments are affected by changes in market prices.



[Notes to the Financial Statements]

31 December 2002

(Amounts in New Taiwan dollars unless otherwise stated)

26. FINANCIAL INSTRUMENTS (CONT'D)

Credit risk

Credit risk, or the risk of counterparties defaulting, is managed through the application of credit approvals, credit limits and monitoring procedures. Cash terms, advance payments and letters of credits are required for customers of lower credit standing. The carrying amount of cash and cash equivalents, trade debtors and other debtors represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

The Group has no significant concentrations of credit risk as at balance sheet date.

Fair values

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents, quoted investments and other current assets

The carrying amounts of these balances approximate fair value due to the relatively short-term maturity of these financial instruments. The fair values of quoted investments are estimated by reference to the current bid price of the same investment.

Other current liabilities

The carrying amounts of these balances approximate fair value due to the relatively short-term maturity of these financial instruments.

27. COMPARATIVES

Prior year comparatives were audited by a firm of certified public accountants other than Ernst & Young.



[Statistics of Shareholdings]

as at 31 March 2003

SHARE CAPITAL

Authorised share capital	:	US\$50,000,000
Issued and fully paid-up capital	:	US\$4,541,280
Class of shares	:	Ordinary share of US\$0.02 each
Voting rights	:	1 vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	10	0.65	5,400	0.00
1,000 - 10,000	453	29.65	2,400,044	1.06
10,001 - 1,000,000	1,054	68.98	40,146,800	17.68
1,000,001 and above	11	0.72	184,511,756	81.26
Total	1,528	100.00	227,064,000	100.00

TWENTY LARGEST SHAREHOLDERS

Name of Shareholder	No. of Shares	%
Albert Liu Lu Ta	94,120,857	41.45
Huang Mei Chu	22,080,000	9.72
Yuan Song Investments Co. Ltd	22,080,000	9.72
Randolph Liu Lu-Chun	16,608,585	7.31
Huang Yi Fong	14,714,114	6.48
Kim Eng Ong Asia Securities Pte Ltd	5,338,000	2.35
UOB Kay Hian Pte Ltd	3,164,600	1.39
OCBC Securities Private Ltd	1,819,600	0.80
Phillip Securities Pte Ltd	1,802,000	0.79
Citibank Consumer Nominees Pte Ltd	1,704,000	0.75
Goh Tjun Huat	1,080,000	0.48
G K Goh Stockbrokers Pte Ltd	846,000	0.37
Tan Seng @ Tan Hun Seng	636,000	0.28
Singapore Nominees Pte Ltd	588,000	0.26
Hong Leong Finance Nominees Pte Ltd	436,600	0.19
Ong Hock Cheng	400,000	0.18
DBS Vickers Securities (S) Pte Ltd	392,600	0.17
Meiko Building Materials Supplier (S) Private Limited	382,000	0.17
Esplor Investments Pte Ltd	360,000	0.16
Poh Seng Poon	360,000	0.16
Total	188,912,956	83.18



[Statistics of Shareholdings]

as at 31 March 2003

PUBLIC FLOAT

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) requires that at least 10% of the equity securities (excluding preference shares and convertible equity securities) of a listed company in a class that is listed is at all times held by the public.

The Company has complied with Rule 723. As at 31 March 2003, approximately 25.31% of the Company’s ordinary shares listed on the SGX-ST were held in the hands of the public.

SUBSTANTIAL SHAREHOLDERS

	Direct Interest	%	Deemed Interest	%
Albert Liu Lu Ta *	94,120,857	41.45	-	-
Huang Chiu Chu *	-	-	94,120,857	41.45
Huang Mei Chu	22,080,000	9.72	-	-
Yuan Song Investments Co. Ltd	22,080,000	9.72	-	-
Randolph Liu Lu-Chun	16,608,585	7.31	-	-
Huang Yi Fong	14,714,114	6.48	-	-

* Madam Huang Chiu Chu being the wife of Mr. Albert Liu Lu Ta, is deemed to be interested in the shares held by Mr. Albert Liu Lu Ta.



[Notice of Annual General Meeting]

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at 7F No. 5 Lane 345 Yang Guang Street Neihu Taipei 114 Taiwan on Friday 23 May 2003 at 10.00 am for the following purpose:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the financial year ended 31 December 2002 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring pursuant to Bye-law 86(1) of the Bye-laws of the Company:-
 - (i) Mr Ong Kian Min **(Resolution 2)**
 - (ii) Dr Chao Pei **(Resolution 3)**

Mr Ong Kian Min and Dr Chao Pei will, upon re-election as Directors of the Company, remain as members of the Audit Committee and independent Directors for the purposes of Clause 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.

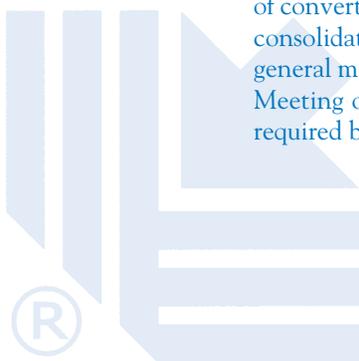
3. To approve the payment of Directors' fees of S\$45,650 for the financial year ended 31 December 2002. (2001 : S\$46,400) **(Resolution 4)**
4. To re-appoint Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions with or without any modifications:

5. Authority to allot and issue shares

That pursuant to the Company's Bye-laws and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue shares and convertible securities in the Company (whether by way of rights, bonus or otherwise) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities to be issued pursuant to this resolution does not exceed 50% of the issued share capital of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders of the Company does not exceed 20% of the issued share capital of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's issued share capital at the time this resolution is passed (after adjusting for new shares arising from the conversion of convertible securities or share options on issue at the time this resolution is passed and any subsequent consolidation or subdivision of the Company's shares), and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. (See Explanatory Note 1) **(Resolution 6)**



[Notice of Annual General Meeting]

6. That the Directors be and hereby authorised to:-
- offer and grant options in accordance with the provisions of the Lankom Electronics Share Option Plan 2002 ('LESOP'), and/or grant awards in accordance with the provisions of the Lankom Electronics Performance Share Plan 2002 ('LEPSP'), and
 - to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the LESOP and/or the vesting of awards under the LEPSP respectively.

provided that the aggregate number of shares to be issued pursuant to the LESOP and the LEPSP shall not exceed fifteen (15) per cent in total of the issued share capital of the Company from time to time." (See Explanatory Note 2) **(Resolution 7)**

7. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

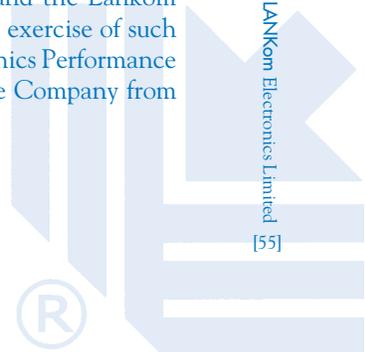
BY ORDER OF THE BOARD

Foo Soon Soo
Lotus Isabella Lim Mei Hua
Company Secretaries

Date: 30 April 2003

EXPLANATORY NOTES:-

- The Ordinary Resolution in item no. 5 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares in the Company up to an amount not exceeding in aggregate 50 percent of the issued share capital of the Company of which the total number of shares issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the issued share capital of the Company for such purposes as they consider would be in the interests of the Company. Rule 806(3) of the Listing Manual of the Singapore Exchange Securities Trading Limited currently provides for the percentage of issued share capital to be calculated based on the issuer's issued share capital at the time the mandate is passed after adjusting for new shares arising from the conversion of convertible securities or employee share option on issue when the mandate is passed any subsequent consolidation or subdivision of shares. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.
- The Ordinary Resolution proposed in item 6 above, if passed, will empower the Directors of the Company to offer and grant options under the Lankom Electronics Share Option Plan 2002 and the Lankom Electronics Performance Share Plan 2002 and to allot and issue shares pursuant to the exercise of such options/awards under Lankom Electronics Share Option Plan 2002 and Lankom Electronics Performance Share Plan 2002 not exceeding fifteen (15) per cent of the issued share capital of the Company from time to time.



[Notice of Annual General Meeting]

NOTES:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
3. If a shareholder being a depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act Cap. 50 of Singapore) wishes to attend and vote at the meeting, then he/it should complete the Proxy Form accompanying this Annual Report in accordance with the instructions printed thereon and deposit the duly completed Proxy Form at the office of the Company's Singapore Share Transfer Agent, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08 Ocean Building Singapore 049315, at least 48 hours before the time of the meeting.
4. If a depositor wishes to appoint a proxy/proxies, the Proxy Form accompanying this Annual Report must be completed in accordance with the instructions printed thereon and deposited at the office of the Company's Singapore Share Transfer Agent, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08 Ocean Building Singapore 049315, at least 48 hours before the time of the meeting.





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