

**LANKOM ELECTRONICS LIMITED****Half Year Financial Statement And Dividend Announcement for the Period Ended 30/06/2004****PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),  
HALF-YEAR AND FULL YEAR RESULTS****1(a) An income statement (for the group) together with a comparative statement for the  
corresponding period of the immediately preceding financial year.**

	<b>30 Jun 04</b>	<b>Group 30 Jun 03</b>	<b>Change</b>
	<b>NT\$'000</b>	<b>NT\$'000</b>	<b>%</b>
<b>Turnover</b>	254,304	174,222	46%
Cost of sales	(184,951)	(132,434)	40%
Gross Profit	69,353	41,788	66%
Distribution and selling expenses	(5,899)	(1,919)	207%
Administrative expenses	(28,870)	(21,759)	33%
Other operating income	3,328	1,681	98%
<b>Profit from operations</b>	<b>37,912</b>	<b>19,791</b>	<b>92%</b>
Financial income	53	149	(64%)
Financial expenses	(482)	(505)	(5%)
<b>Profit before tax</b>	<b>37,483</b>	<b>19,435</b>	<b>93%</b>
Tax	-	(7)	NM
<b>Profit after tax</b>	<b>37,483</b>	<b>19,428</b>	<b>93%</b>
<b>Notes to income statement</b>			
Depreciation	7,315	3,732	96%
Foreign exchange gain	(1,745)	(1,625)	7%
Gain on disposal of quoted investment	(1,214)	-	NM
Interest on borrowings	327	379	(14%)

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	<b>Group</b>		<b>Company</b>	
	<b>30 Jun 04</b>	<b>31 Dec 03</b>	<b>30 Jun 04</b>	<b>31 Dec 03</b>
	<b>NT\$'000</b>	<b>NT\$'000</b>	<b>NT\$'000</b>	<b>NT\$'000</b>
<b>ASSETS LESS LIABILITIES</b>				
<b>Non-current assets</b>				
Fixed assets	258,405	226,684	385	162
Investments in subsidiary companies	-	-	97,468	97,468
Deferred tax assets	3,932	3,932	-	-
<b>Current assets</b>				
Stocks	165,672	122,408	-	-
Trade debtors	180,006	180,762	-	-
Other debtors	4,246	11,623	283	647
Due from subsidiary companies (non-trade)	-	-	277,240	276,851
Cash and bank balances	113,249	161,022	77	96
	463,173	475,815	277,600	277,594
<b>Current liabilities</b>				
Trade creditors	83,758	78,104	-	-
Other creditors and accruals	21,040	32,740	3,883	9,036
Due to subsidiary companies (non-trade)	-	-	50,322	47,521
Provision for income tax	30,451	30,855	-	-
Long-term bank loan (current portion)	2,050	2,050	-	-
	137,299	143,749	54,205	56,557
<b>Net current assets</b>	325,874	332,066	223,395	221,037
<b>Non-current liability</b>				
Long term bank loan	(24,600)	(25,625)	-	-
<b>NET ASSETS</b>	563,611	537,057	321,248	318,667
<b>EQUITY</b>				
Share capital	151,783	151,783	151,783	151,783
Reserves	411,828	385,274	169,465	166,884
<b>TOTAL EQUITY</b>	563,611	537,057	321,248	318,667

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

As at 30/06/2004	As at 31/12/2003
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Secured	Unsecured	Secured	Unsecured
NT\$2,050,000	NT\$ Nil	NT\$2,050,000	NT\$ Nil

**Amount repayable after one year**

As at 30/06/2004	As at 31/12/2003
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Secured	Unsecured	Secured	Unsecured
NT\$24,600,000	NT\$ Nil	NT\$25,625,000	NT\$ Nil

**Details of any collateral**

The borrowings of the Group relates to a bank loan obtained in FY 2002 by a subsidiary company for the acquisition of its office premise and is secured by a legal mortgage over the subsidiary's office premises with a net book value of approximately NT\$ 44.5 million (2003:NT\$44.5 million).

The long-term bank loan bears interest at 2.525% to 2.675% per annum (2003: 2.525% to 2.675% per annum) and will be fully repaid by 21 June 2012.

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<b>30 Jun 04</b>	<b>30 Jun 03</b>
	<b>NT\$'000</b>	<b>NT\$'000</b>
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	37,483	19,435
<b>Adjustments:</b>		
Depreciation of fixed assets	7,315	3,732
Fixed assets written off	42	-
Loss on disposal of fixed assets	12	-
Gain on disposal of quoted investments	(1,214)	-
Interest expense	327	379
Interest income	(53)	(149)
Operating profit before working capital changes	43,912	23,397
Increase in stocks	(43,264)	(223)
Decrease / (increase) in trade and other debtors	8,133	(7,921)
Decrease in trade and other creditors	(6,046)	(43,935)
Translation difference	(4,680)	(1,415)
Cash used in operations	(1,945)	(30,097)
Interest paid	(327)	(379)
Interest received	53	149
Net cash used in operating activities	(2,219)	(30,327)
<b>Cash flows from investing activities</b>		
Proceed from sale of quoted investments	64,254	-
Purchase of quoted investments	(63,040)	-
Purchase of fixed assets	(39,090)	(6,977)
Construction-in-progress	-	(47,009)
Payment of final dividends	(6,653)	-
Net cash used in investing activities	(44,529)	(53,986)
<b>Cash flows from financing activities</b>		
Repayment of bank loan	(1,025)	(1,025)
Net cash used in financing activities	(1,025)	(1,025)
<b>Net decrease in cash and cash equivalents</b>	<b>(47,773)</b>	<b>(85,338)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>161,022</b>	<b>277,338</b>
<b>Cash and cash equivalents at end of period</b>	<b>113,249</b>	<b>192,000</b>



**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes in the Company's share capital since the end of the previous reporting period.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

These figures have not been audited or reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The same accounting policies and methods of computation as in the audited financial statements for the financial year ended 31 December 2003 have been applied for the current reporting period.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

		<b>Group</b>
	<b>30 Jun 04</b>	<b>30 Jun 03</b>
Profit attributable to shareholders (NT\$'000)	37,483	19,428
Weighted average number of shares in issue during reporting period	227,064,000	227,064,000
Earnings per ordinary share for the period after deducting any provision for preference dividends :-		
(i) Based on weighted average number of ordinary shares in issue (cts)	16.51	8.56
(ii) On a fully diluted basis (cts)	16.51	8.56

- 7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

	<b>30 Jun 04</b>	<b>GROUP</b>	<b>30 Jun 04</b>	<b>COMPANY</b>
		<b>31 Dec 03</b>		<b>31 Dec 03</b>
Net asset value per ordinary share based on issued share capital as at the end of the reporting period (cts)	248.22	236.52	141.48	140.34

- 8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Group turnover increased by 46% to NT\$ 254 million for the half year ended 30 June 2004 as compared to NT\$ 174 million in the same period in FY 2003.

The much-awaited cycle in which companies upgrade personal computers (PC) and ongoing shifting to notebooks, consumers migrating to new mobile technologies, businesses upgrading their IT systems has come about and this has boosted demand and sales volume.

Our new products such as the RJ45 connectors with transformers and USB port and RJ45 connectors with transformers which are now widely used in hubs, routers, PCs and notebooks due to the savings in space

consumption in the motherboard as well as lesser assembly time have also resulted in higher sales volume.

With improved sales mix of products with better gross profit and higher sales values obtained from new products, our gross profit margin improved significantly by NT\$27.5 million (66%) to NT\$69 million in 1H2004 as compared to NT\$42 million in 1H2003.

The increase in sales and distribution expenses is in line with the increase in our sales, while the increase in our administrative expenses is mainly due to more personnel employees, higher depreciation charge with the setting up of our own production facilities in 4Q03, increase in the purchase of spare parts and accessories and higher legal fee incurred in the application of patents in Taiwan, China and the United States for the new products developed.

With the achievement of higher gross profit margin, and the gain of NT\$1.2 million from the disposal of some quoted shares purchased during the period under review, our Group's profit before tax improved significantly by NT\$ 18 million (93%) to NT\$ 37.5 million in 1H04 as compared to NT\$ 19 million in the same period in FY 2003.

During the period under review, we acquired new machinery and testing equipment to improve and automate our production and testing process in order to reduce production time as well as maintain the quality of our products.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The actual results are in line with our announcement of 26 February 2004..

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

In the second half of the year, the recovery of technology spending may be affected by worries over the global economic growth losing steam, oil prices remaining high, renewed fears of terrorism, and the recent profit warnings from technology companies.

However, the Group still expects the overall performance of the Group for the year to be better as compared to FY 2003.

**11. Dividend**

***(a) Current Financial Period Reported On***

Any dividend declared for the current financial period reported on? None

***(b) Corresponding Period of the Immediately Preceding Financial Year***

Any dividend declared for the corresponding period of the immediately preceding financial year? None



**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12. If no dividend has been declared/recommendeded, a statement to that effect.**

No dividends has been declared and/or recommended by the Group.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT  
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

**15. A breakdown of sales:-**

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-**

Total Annual Dividend (Refer to Para 16 of Appendix 7.2 for the required details)

	Latest Full Year ()	Previous Full Year ()
Ordinary		
Preference	0	0
Total:		

**BY ORDER OF THE BOARD**

Albert Liu Lu Ta  
Director  
30/07/2004