

## CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 17 October to 19 October 2001, both days inclusive, during which no transfer of shares will be registered.

To rank for the interim dividends, shareholders must ensure that the transfers, accompanied by the relevant share certificates are lodged with the Company's registrars, Tengis Limited at 4/F Hutchison House, 10 Harcourt Road, Hong Kong no later than 4:00 p.m. on 16 October, 2001.

## BUSINESS REVIEW

The turnover of the Group for the six months ended 30 June 2001 ("current period") was approximately HK\$3.3 billion, which represents an increase of 10% as compared with HK\$3 billion for the six months ended 30 June 2000 ("corresponding period").

For the corresponding period, the turnover did not include that of Capetronic International (Thailand) Public Company Limited ("CITL") which was an associated company that became a subsidiary of the Group in the second half of year 2000. CITL's consolidated turnover for the current period and corresponding period was HK\$1.1 billion and HK\$813 million, respectively.

Operating profit before exceptional items for the current period was HK\$260 million, as compared to HK\$639 million for the corresponding period prior to restatement which included other revenues of HK\$524 million arising from the disposal of interests in certain subsidiaries during that period. Furthermore, the results for the corresponding period was restated to take into account the write off of goodwill, amounting to HK\$99 million, in accordance with the requirements of SSAP 30 and SSAP 31 that became effective on 1 January 2001. Had the HK\$524 million and HK\$99 million as described above been excluded, the operating profit for the corresponding period would have been stated at HK\$115 million. The Group's operating profit actually grew by HK\$145 million in the current period.

Net profit attributable to shareholders for the current period was HK\$101 million as compared to HK\$52 million for the corresponding period after restatement of the write off of goodwill as described above.

The current year's results reflected the effect of the rationalisation programs undertaken by the Group in 2000 through 2001 and the continuous restructuring and cost control initiatives.

## BUSINESS REVIEW (continued)

The Magnetic Media Division's turnover decreased by 16% to HK\$525 million for the current period. This was primarily due to the reduced demand for mature Ferrite Tape Head products. The Division's operating profit was decreased by approximately 30% to HK\$91 million for the current period as a result of a change in product mix and continuous price pressure.

The Electronics Manufacturing Services Division reported improved performance for the current period. The worldwide shortage of electronic components had eased due to the slowdown of the telecommunication industry. In addition, the Tomei Technologies group has started the consolidation of the manufacturing facilities in 2001. One major production site in Shenzhen, the People's Republic of China, was closed and the production lines were moved to the group's factory complex in Zhongshan, the People's Republic of China. It is anticipated that majority of the group's manufacturing facilities will ultimately be centralised in Zhongshan by the first half year of 2002. These factors described above contributed to reduced component and manufacturing costs and improved the margins for the Division.

CITL group, which focused on the production and sale of computer monitors, achieved a break-even for the current period despite of a decrease of 29% in turnover to HK\$813 million. This was mainly attributable to the drastic restructuring of the business and organisation in year 2000 which resulted in significant improvements in the cost efficiency of the CITL group. In the current period, the Group increased its shareholding in CITL from 81.7% to 83% by the injection of an additional US\$8.6 million of capital in CITL.

For the Branded Distribution Division, the high costs and difficult operating conditions in Japan forced Nakamichi Corporation, the Group's associated company in Japan, to close its manufacturing facility in Aomori, Northern Japan and transfer all production of Nakamichi products to Nakamichi Corporation Berhad ("NCB", formerly known as Capetronic Consumer Electronic Holdings Berhad) in Malaysia. The closure of the Aomori factory resulted in significant redundancy costs and provisions for disposal of assets and obsolete inventories. Nakamichi Corporation reported a significant loss of approximately US\$16 million in its company financial statements for the current period primarily due to these provisions.

NCB has completely revamped its operations and business to be the sole manufacturer of Nakamichi's Sound Space series of audio visual products. As a result, the turnover of NCB decreased by 73% to approximately HK\$64 million as compared to the corresponding period when NCB still produced regular audio products for other customers. In this transitional phase, NCB incurred a loss of approximately HK\$8 million for the current period.