

## DIVIDENDS

The Board of Directors has resolved to pay an interim dividend of HK9 cents per share (2001: HK8 cents per share) totaling approximately HK\$36 million (2001: HK\$32 million) to shareholders whose names appear on the register of members on 23 October 2002. It is expected that dividends will be dispatched to shareholders on or before 5 November 2002.

## CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 21 October to 23 October 2002, both days inclusive, during which no transfer of shares will be registered.

To rank for the interim dividend, all transfers should be lodged with the Company's Registrars, Tengis Limited at 4/F Hutchison House, 10 Harcourt Road, Hong Kong, for registration not later than 4:00 p.m. on 18 October 2002.

## BUSINESS REVIEW

The turnover of the Group for the six months ended 30 June 2002 ("current period") was HK\$3,676 million, as compared with HK\$3,293 million for the six months ended 30 June 2001 ("corresponding period").

For the corresponding period, the turnover did not include that of the Lucin Group ("Lucin") which became a subsidiary of the Group in the second half of 2001. Lucin's consolidated turnover for the current period and corresponding period was HK\$610 million and HK\$388 million, respectively.

Operating profit before exceptional items for the current period was HK\$149 million, as compared to HK\$260 million for the corresponding period.

Net profit attributable to shareholders for the current period was HK\$117 million which was a 16% increase as compared to the HK\$101 million for the corresponding period.

The core divisions of the Group comprises of (i) The Electronics Manufacturing Services Division, (ii) The Magnetic Media Division, (iii) The Branded Distribution Division, and (iv) The Financial Services Division.

## BUSINESS REVIEW (continued)

The Electronics Manufacturing Services Division (“EMS”) achieved an operating profit of HK\$13 million for the current period, compared to HK\$131 million for the corresponding period. This was despite a decrease of 34% in turnover to HK\$1,564 million, which was as a result of the successful shift to higher margin products and the consolidation of its manufacturing facilities, at the group’s factory complex in Zhongshan, the People’s Republic of China.

The Magnetic Media Division’s turnover increased by 7.6% to HK\$565 million as a result of the significant demand for the Super Digital Linear Magneto-Resistive (“MR”) Tape Heads and Modules which replaced the mature Ferrite Tape Head and Head Guide Assemblies. The Division’s operating profit decreased by approximately 36% to HK\$55 million for the current period as a result of continued pricing pressure in the industry and the decline in sales volume of the mature Ferrite Tape Head products.

The Branded Distribution Division continued to expand both its distribution channels and its line of products for all four of its major Brands; Nakamichi, Akai, Sansui and Kawa (collectively “Brands”). This resulted in significantly increased sales of HK\$871 million for the current period as compared to HK\$336 million for the corresponding period. The Division’s operating profit increased similarly to HK\$44 million, compared to HK\$23 million for the corresponding period.

As noted above the Financial Services Divisions now includes the business of foreign exchange services through Lucin. This resulted in the Division achieving an operating profit of HK\$28 million on turnover of HK\$676 million for the current period.

The above results reflected also the effect of the rationalisation programs undertaken by the Group in the prior year and the continuous cost control initiatives.

## PROSPECTS

### Electronics Manufacturing Services Division

The Division will benefit from the shifting of customers own production in Japan to the Zhongshan facility. In addition, the increase in the manufacture of branded products sold domestically in China will also have a positive impact. The EMS division will further gain from the centralised cost of production, better product mix and improved margins.

### Magnetic Media Division

The current market environment and industry slump create difficult trading conditions. As world-wide inventory of completed storage solution products remains high, this continued price pressure is resulting in deteriorating margins.

To counter the above, the Division is gaining increased market share of its existing product line up, in particular MR heads. The Division is further collaborating with customers in the development of new product designs, which include new MR heads, modules and subsystems, with increased added value. The Division is well positioned in terms of technological development to cope with customers new product roadmaps.

### Branded Distribution Division

The already significant progress made in the world-wide distribution of the Brands will be further expanded and strengthened. In addition, the Division will continue to invest in the infrastructure, product development and global marketing needed to realise the full potential of the Brands.

### Financial Services Division

The Division will continue to expand on its foreign exchange business and is looking to bid for related businesses as they become available.

## EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 30 June 2002 was approximately 13,000. Employees are remunerated according to their performance and working experience, and the nature of the job and market conditions.

## DIRECTORS' INTERESTS IN SHARE CAPITAL

The interests of the directors and their associates in the equity or debt securities of the Company and its associated corporations, as required to be recorded in the Register of Directors' Interests maintained pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") at 30 June 2002, are set out below:

Directors	Number of issued ordinary shares of HK\$0.10 each in the Company	
	Personal interests	Corporate interests
Mr. Christopher W. Ho	—	295,067,713*
Mr. C. F. Lam	303,600	—
Mr. Adrian C. C. Ma	78,000	—

\* Mr. Christopher W. Ho had a 100% deemed beneficial interest in The Grande International Holdings Limited ("GIHL") which owned 295,067,713 ordinary shares in the Company through its wholly owned subsidiary, Barrican Investments Corporation ("BIC").

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company, or any of its associated corporations as defined in the SDI Ordinance.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

The share option scheme adopted by the Company on 26 November 1990 had expired and there were no options outstanding as at the date of this report.

Apart from the foregoing, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS**

Pursuant to Section 16(1) of the SDI Ordinance, no persons other than Mr. Christopher W. Ho, GIHL and BIC, whose interests are disclosed in "Directors' Interests in Share Capital" above, had registered an interest in the Company's issued shares at 30 June 2002 amounting to 10% or more of the ordinary shares in issue.

## **PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

## **CORPORATE GOVERNANCE**

None of the directors was aware of information that would reasonably indicate that the Company was not, or had not been for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-Laws.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters related to the preparation of the unaudited condensed financial statements for the six months ended 30 June 2002.

By order of the Board

**Christopher W. Ho**

*President and Group Chief Executive*

Hong Kong, 26 September 2002