

For the year 2002, profit attributable to shareholders was HK\$378 million as compared to HK\$457 million for the year 2001.

The total turnover was HK\$6,646 million for the year, compared to HK\$7,818 million for 2001, while the gross profit from operating activities for 2002 was HK\$734 million as compared to HK\$1,085 million for 2001. Details are set out below:

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.

ELECTRONICS MANUFACTURING SERVICES DIVISION

During 2002, the Electronics Manufacturing Services Division (“EMS”) completed the consolidation of its manufacturing facilities in Zhongshan, the People’s Republic of China. It also added additional advanced high speed SMT machines, a high precision BGA system and lead free soldering machinery. This enables it to develop and expand on its core competitiveness and move forward with a solid foundation. It now caters principally to well known consumer electronic giants in Japan and Korea, producing higher value added consumer products such as DVD recorders, TV/DVD combinations, projection TV’s and LCD projectors. The net result for the year for the EMS Division was sales of HK\$1,754 million compared to HK\$4,227 million for 2001. The operating profit was HK\$70 million, compared to a profit of HK\$135 million in 2001. Both turnover and operating profit reflected the final reorganisation which took place in 2002.

The EMS Division expects to gain from the completion of its centralised cost of production with better product mix and improved margins. In addition, the Division will benefit from the continuing shift of customers own production facilities in Japan to the Division’s substantial Zhongshan facilities.

MAGNETIC MEDIA DIVISION

The Division's turnover for 2002 was lower than 2001 by HK\$354 million at HK\$820 million, primarily because indent transactions have been recognized in 2002 on a commission earned basis. For 2001, sales transactions of an indent nature were recorded as turnover. During 2002, several factors adversely impacted on the turnover of the Division as compared to the same period in 2001. The major factor contributing to the sharp decline in turnover was the poor economic and market conditions that prevailed throughout the year. Additionally, the increased demand for the Super Digital Linear Magneto-Resistive ("MR") tape heads and products were not sufficient to compensate for the loss of business of the mature ferrite tape heads and head guide assemblies. The Division was further pressured by fierce competition as well as industry consolidations during the second half of 2002. In view of the market situation, the Division had taken active measures during the year in controlling manufacturing overheads as well as administrative expenses to maintain its competitiveness. The Division's operating profit for 2002 decreased by 33% from HK\$205 million in 2001 to HK\$137 million. The decrease was mainly the result of the continued decline in overall sales volume. The results were also impacted by additional provisions for long term investments and the write-off of uncollectable receivables.

The Division's products are predominantly used in storage solution products for which end demand continues to be sluggish and there is overall uncertainty in the broader I.T. spending environment. We expect that data storage spending will remain slow in 2003 and there is currently no sign of any pick up. In fact, there is a belief within the industry that spending in 2003 will be flat to down. The Division is cautiously optimistic that it will maintain the same level of business in the year 2003 comparing to 2002.

The Division is continuing with its strategy of both increasing the value added content in its operations, as well as expanding its number of customers.

BRANDED DISTRIBUTION DIVISION

For the Division, the turnover for 2002 increased by more than 116% to HK\$2,013 million, as compared to HK\$932 million in 2001. This Division manages the distribution and licensing of four major brands; Nakamichi, Akai, Sansui and Kawa (collectively the “Brands”) as well as managing the trademarks and patents of these Brands. The resultant increase in turnover is due to the continuing expansion of the worldwide distribution of the Brands, the global marketing efforts and the launch of new and exciting products. The operating profit for the Division for 2002 was HK\$149 million as compared to HK\$146 million in 2001. This reflects the ongoing costs of continued promotion of the Brands and the investment in the infrastructure required to manage the Brands.

This Division is expected to continue its strong sale growth as a result of the expansion of its global sales network and brand awareness. This is in spite of the worldwide slowdown in the consumer electronics industry and current events. Further investment is being made in the areas of infrastructure, products, technology, manpower and global marketing so as to support the continuing growth and realise the full potential of the Brands. For the Akai brand, the product range has now been enlarged to include digital products such as cameras and telecommunication products. For the Nakamichi brand, a new range of hi-end LCD TV’s is being introduced to the market in 2003 to augment the current home theatre products.

Furthermore, as the economy of the People’s Republic of China (“PRC”) continues in its robust growth and with the accession of the PRC to the World Trade Organisation, this creates tremendous opportunities for all our Brands. We are therefore putting added investment by way of direct sales and marketing bases into the PRC so as to take full advantage of this promising future. Shanghai has become the strategic base for Nakamichi’s development and expansion into the PRC, while Akai and Sansui are being actively marketed through a 100% subsidiary, Tomei Kawa Electronics Trading Company Ltd, which was established during the year in Zhongshan, PRC.

A major change in 2002 in the proportionate ownership of the Group’s holdings was that in December 2002 the Group acquired 100% of the equity of Nakamichi Corporation in Japan. The Group also acquired 85% of Akai Electric Co. Ltd in 2002. These two acquisitions went a long way into accomplishing the basic master plan of the Group’s Branded Distribution Division in consolidating its control of the Nakamichi and Akai brands on a worldwide basis.

FINANCIAL SERVICES DIVISION

The Division includes the business of foreign exchange service and the restructuring of corporations, along with the purchase/sale of debts. This Division achieved an operating profit of HK\$122 million in 2002 compared to HK\$126 million in 2001. The turnover of the Division for this year was HK\$2,059 million compared to HK\$1,485 million in 2001.

The Division will continue to expand on its foreign exchange business and is looking to bid for related businesses as they become available. In addition, the Division will continue to take advantage of the current situation in South East Asia and Japan, in respect of distressed debts, by both assisting in the restructuring of corporations and the purchase/sale of debt, as the opportunities arise. The Group can leverage on its in-house expertise in this area.

Adrian C.C. Ma

Group Managing Director

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