

PROSPECTS

Branded Distribution Division

Due to the seasonal nature of the business, a greater percentage of turnover is generated in the second half of the year. The sales in the first half of 2003 suffered from both SARS and the slow down of the U.S. and European economies due to the Iraq conflict. Now that both these incidents are behind us, the worldwide economy is showing signs of increased demand. In addition, it is expected that the launch of our Sansui and Akai brand products in China earlier in the current period will yield significantly better results in the second half of 2003.

Electronics Manufacturing Services Division

The Division continues to benefit from the shifting of customers' own production in Japan and elsewhere to the Zhongshan facility and the demands in the last quarter of 2003 are expected to be very strong. The Division continues to collaborate with its customers in the transferring of their products and technologies to our Zhongshan manufacturing facility and to focus on manufacturing higher value products with better margin.

Magnetic Media Division

The Division's products are predominantly used in completed storage solution products. While its sales for the current period had increased, the end demand for such products, however, remains uncertain as the general economic conditions have resulted in cautious spending on information technology by end customers. We expect that data storage spending will remain flat to slow for the rest of 2003. The industry still faces intense competition, slow economic and market conditions, and continuous pricing pressure from customers. Furthermore, mergers and acquisitions among companies in the industry have further intensified competition which may lead to yet more pricing pressure. In anticipation of the flattened demand and pricing pressure on both MR and ferrite tape heads for the rest of the year, the Division is further collaborating with customers in the development of new product designs which include new heads and complementary products. The launching of new products in the first half of 2003 has enabled the Division to derive its revenue from a more diversified product line.

Financial Services Division

The operating results for this Division is considered to be quite stable.