

BUSINESS REVIEW

The turnover of the Group for the six months ended 30 June 2004 (“current period”) was HK\$2,891 million, as compared with HK\$3,759 million for the six months ended 30 June 2003 (“corresponding period”). The corresponding period included HK\$698 million attributable to the foreign exchange business that was sold in October 2003.

Operating profit for the current period was HK\$191 million, as compared to HK\$160 million for the corresponding period.

Net profit attributable to shareholders for the current period was HK\$172 million which was a 22% increase as compared to the HK\$141 million for the corresponding period.

The core business segments of the Group currently comprises of The Branded Distribution Group and The Electronics Manufacturing Services Group. As noted above the Group disposed of its foreign exchange services business in October 2003 which was the primary component of the Financial Services Group, this is therefore no longer considered a core business segment.

The Branded Distribution Group realized significant growth and market penetration in 2004 as developing European and non European countries increased their consumer electronic spend. The Group’s three global brands; Nakamichi, Akai and Sansui (the “Brands”) are now distributed in more than 55 countries across the globe. In addition the Kawa brand in China is continuing to expand the number of sales outlets so as to meet increasing demand for its products. This resulted in increased turnover of HK\$1,604 million for the current period as compared to HK\$841 million for the corresponding period. The Group’s operating profit increased similarly to HK\$164 million, compared to HK\$55 million for the corresponding period.

The Electronics Manufacturing Services Group achieved an operating profit of HK\$51 million for the current period, compared to HK\$85 million for the corresponding period. This was despite a decrease of 38% in turnover to HK\$1,287 million, which was as a result of (1) the successful shift to higher value added consumer products such as DVD recorders and LCD projectors, (2) The closure of the Group’s LCD manufacturing operations in Thailand and the transfer of business to the Group’s Zhongshan facility, which began at the end of 2003 and was completed in June 2004; and (3) The phasing out and decrease in demand of the matured Digital Linear Tape Ferrite Head, prior to the build up of turnover of the new generation of Super DLT Magneto-Resistive Heads (“SDLT heads”).