

PROSPECTS

The Branded Distribution Group

It is expected that the already substantial progress made in the world-wide distribution of the Brands will be further expanded and strengthened. In addition, the Group expects to realize growth with the mandated broadcast conversion from analog to digital broadcasting signals in both Europe and the U.S. The Group is therefore placing strong emphasis on the flat panel display products, in particular Plasmas and LCD TV's where it sees significant long term growth potential, along with the DVD Home Theatre Entertainment Systems.

We have successfully launched an aggressive media campaign in China to promote our Brands, including engaging well known media stars with the aim to raise the profile of our Brands. We intend to promote Sansui to be the top brand in the audio / hi-fi product-category in China.

The Group will continue to invest in the infrastructure, product development and global marketing needed to realize the full potential of the Brands.

The Electronics Manufacturing Services Group

The Group continues to collaborate with its customers who are world-class global brands for the shifting of their own production in Japan and elsewhere to the Zhongshan facility, with the focus on higher value added products so as to move up the value chain. It expects to benefit from this in the second half of the year as well as going forward.

As well as expanding its LCD-TV facility in Zhongshan, the Group also started its first production line of Plasmas in the first half of this year, followed by three more lines which commenced production this month, supplying to Sansui and Akai as well as to OEM customers. Emphasis is being placed on the 46" Plasma for which the Group has a close relationship with the sole panel manufacturer. The Group is working on reaching similar such agreements with other key suppliers so as to secure supply with attractive pricing going forward. This increase in the manufacture of the Group's Branded products, particularly for that sold domestically in China, will continue to have a positive impact.

The current market environment for the completed storage solution industry remains weak with continued price pressure resulting in deteriorating margins. To counter this the Group expects that the SDLT heads will account for an increased portion of turnover in the second half of the year, but that overall turnover will be flat. The Group has made progress in the development of heads and complementary products for the Linear Tape Open ("LTO") Drive market, which will allow the Group to enter the LTO Drive market and contribute to the Group's revenue in the near future. We believe complimentary products which the Group is developing with customers, such as autoloaders and tape drives will also enable the Group to open up other new streams of revenue.