

BUSINESS REVIEW AND PROSPECTS

The turnover of the Group for the six months ended 30 June 2005 (“current period”) was HK\$2,623 million as compared with HK\$2,891 million for the six months ended 30 June 2004 (“corresponding period”).

Operating profit for the current period was HK\$212 million, as compared to HK\$194 million for the corresponding period.

Net profit attributable to shareholders for the current period was HK\$190 million as compared to HK\$171 million for the corresponding period.

The core business segments of the Group comprised of the Branded Distribution Group and the Electronics Manufacturing Services Group.

The Branded Distribution Group

The Group manages the distribution and licensing, including all trademarks and patents, of three global brands, namely Nakamichi, Akai and Sansui (the “Brands”).

The Branded Distribution Group experienced strong growth in the North American market, while the European and Asia markets were sluggish. In addition, the Brands started to phase out the sale of CRT TV’s in early 2005, so as to focus on flat panel display products such as Plasma’s and LCD TV’s. The requirement in the USA that all TV’s above 35” imported into the USA after 1 July 2005 have a digital tuner has also impacted our decision. Shipments of digital products with ATSC tuners in the 2nd quarter of 2005 to the USA were slowed down as our customers needed to clear out their analog inventory with NTSC tuners before the end of June and then replenish in the 3rd quarter with the new products.

The Group’s operating profit was maintained at HK\$167 million compared to HK\$164 million for the corresponding period. Turnover of HK\$1,555 million for the current period was similar to HK\$1,604 million for the corresponding period.

Due to the seasonal nature of the business, a greater percentage of turnover is generated in the second half of the year. In addition, with the increased demand for wide screen TV’s the Group expects to show growth in its sales in the rest of 2005 and going forward.

The Electronics Manufacturing Services Group

The Electronics Manufacturing Services Group (“EMS”) is a leading manufacturer of magnetic storage devices (recording heads and related assemblies for tape drives, disc drives and optical drives). It is also a manufacturer of consumer electronic products (DVD recorders, DVD rewritables, LCD projectors and flat panel monitors & TV’s) for major global brands.

The EMS Group achieved an operating profit of HK\$38 million for the current period, compared to HK\$51 million for the corresponding period. This was on turnover of HK\$1,068 million for the current period as compared to HK\$1,287 million for the corresponding period. The reduction in turnover is largely as a result of the phasing out of production of CRT TV's in early 2005 which had been sold on both an OEM basis and to the Group's own Brands.

While the Group experienced a down-turn in demand of its more mature products, it has seen a build up in revenue of its products for the Linear Tape Open ("LTO") drive market and expects this growth to rise significantly in the second half of 2005. The demand for consumer electronic products, as for the Branded Distribution Group, is also significantly higher in the second half of the year and the Group expects to further benefit from this.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 30 June 2005 was approximately 10,000. 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 shares, underlying shares or debt securities of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO as at 30 June 2005 are set out below:

Long positions in shares:

Directors	Capacity	Number of issued ordinary shares of HK\$0.10 each in the Company held	% of the issued share capital
Mr. Christopher W. Ho	Interest in corporation	288,673,822*	62.72%
Mr. C. F. Lam	Beneficial owner	303,600	0.07%
Mr. Adrian C. C. Ma	Beneficial owner	78,000	0.02%

* Mr. Christopher W. Ho had a 100% deemed beneficial interest in The Grande International Holdings Limited which owned 288,673,822 ordinary shares in the Company through its wholly owned subsidiary, Barrican Investments Corporation.

Save as disclosed above, none of the directors or their associates had any interests or short positions in the shares, underlying shares or debt securities of the Company or any of its associated corporations that was required to be recorded under section 352 of the SFO as at 30 June 2005.