

For the year 2006, profit attributable to shareholders was HK\$360 million as compared to HK\$302 million for the year 2005.

The total turnover was HK\$9,312 million for the year as compared to HK\$6,038 million for 2005. The gross profit from operating activities was HK\$1,013 million as compared to HK\$817 million for 2005.

The core business segments of the Group comprise The Branded Distribution Group and The Electronics Manufacturing Services Group. The Branded Distribution Group will continue to be the major contributor to turnover and profit for the Group representing 72% of consolidated turnover in 2006 as compared to 61% in 2005.

THE BRANDED DISTRIBUTION GROUP

The Branded Distribution Group's turnover for 2006 was HK\$6,734 million as compared to HK\$3,707 million for 2005. With severe pricing pressure in global markets, the Group decided tactically to withdraw from the development and production of conventional audio and video products and to outsource these products to other qualified suppliers. The Group has instead focused on the development, production and sale of digital flat panel display products such as Plasma TV and LCD TV. During 2006, the Group successfully developed and launched a series of Plasma TV with screen size ranging from 42" to 63" and LCD TV from 26" to 52".

In addition to the Group's existing portfolio of Nakamichi, Akai and Sansui brands, the Group acquired in December 2005 a 37% equity interest in Emerson Radio Corp. ("Emerson"), a company listed on the American Stock Exchange of the United States of America. Subsequent to that date the Group increased its shareholding in Emerson to approximately 51% through the purchase of stock in the open market. With the acquisition, the Group has assumed the management of the distribution and the licensing of the Emerson brand.

Nakamichi continues to be the Group's flagship premium brand focusing on top end lifestyle entertainment products. Riding on the exponential growth in global demand for Plasma TV and LCD TV, Nakamichi introduced the LUMI series of high end Plasma TV with screen size ranging from 42" to 63". Nakamichi will continue to expand its present LUMI range of Plasma TV to include larger screen sizes, with full high definition resolution display. On the LCD TV, Nakamichi will introduce its first series of full high definition LCD TV, KIMONO, in the first quarter of 2007. Nakamichi made its first foray into the stand alone speakers market with the showcase of its new Electrostatic Speakers ("ESL") at the IFA Show in Berlin in October 2006. Both KIMONO LCD TV and ESL speakers received prestigious CES Innovation Award at Las Vegas CES show in January 2007.

Akai and Sansui are mass marketed consumer electronic brands targeting consumers looking for mid to high end audio, video and display products. Akai and Sansui have been successful in meeting consumers' demand for flat panel display products with their comprehensive range of Plasma TV and LCD TV. Akai and Sansui will continue to expand their range to include larger screen sizes and with full high definition resolutions display. In PRC, Akai's and Sansui's strategy of focusing on higher end products rather than the low end segment which competes purely on pricing has paid off handsomely with increased market share. In addition, Akai and Sansui products are widely known for their excellent quality in the PRC. As a result of the Group's continuous effort to expand its global distribution network, Akai and Sansui products are available in most parts of the world.

Emerson is one of the best known brands in America focusing on low to mid end consumer electronic products and appliances. Through the Group's global distribution network, Emerson has expanded its distribution to Europe and Asia Pacific.

In recognition of the huge potential in the global flat panel display market, the Group has expanded its production capacity in the PRC and enhanced its production efficiency by acquiring additional advanced plant and machinery. The Group has a strong product line up which meets both the specifications and pricing requirements of the major markets in North America, Europe and Asia.

During 2006, the Group successfully launched a wide variety of flat panel display products in North America. The sales turnover for North America increased from HK\$1,580 million to HK\$4,277 million in 2006. To support the expansion into the European markets which is by far the biggest market for LCD TV, the Group acquired a manufacturing plant in Denmark for the production and distribution of flat panel display products specifically for that region. After re-organisation, the plant started its production in October 2006 and will become the Group's headquarters for its growth into Europe.

The Group will continue to invest in its product development, production facilities, supply chain management and global distribution network to realize the full potential of the Group's portfolio of international brands.

THE ELECTRONIC MANUFACTURING SERVICES GROUP

The Electronic Manufacturing Services Group ("EMS") comprises two primary divisions, Lafe Technology Limited ("Lafe") and Tomei Technologies Limited ("Tomei"). Lafe is a leading manufacturer of recording heads and related assemblies for hard disc drives and optical drives in the global storage market. Tomei manufactures video products on behalf of major global brands.

The EMS turnover for 2006 was HK\$2,578 million as compared to HK\$2,331 million in 2005. The increase was attributed to the production of higher value products such as High Definition DVD and Hard Disk DVD recorders by Tomei during the year.

The EMS operating profit for 2006 was HK\$46 million as compared to an operating loss of HK\$54 million in 2005. The improvement was a direct result of Tomei's success in streamlining its production facilities and phasing out production of the low margin products. During the year, Lafe continued to suffer from global pricing pressure on recording heads. Lafe has been working in collaboration with its customers in the development of more new products and increasing the value added content in order to remain competitive in the market.

Adrian C. C. Ma
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