

GRANDE

THE GRANDE HOLDINGS LIMITED

嘉城集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock code: 186)

INTERIM REPORT

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FINANCIAL HIGHLIGHTS

Six months ended
30 June 2007 30 June 2006
(Unaudited) (Unaudited)

OPERATING RESULTS:

Turnover (<i>HK\$ million</i>)	3,295	3,879
Profit attributable to shareholders (<i>HK\$ million</i>)	<u>168</u>	<u>163</u>

PER SHARE DATA:

Basic earnings per share (<i>HK cents</i>)	36	35
Diluted earnings per share (<i>HK cents</i>)	35	34
Interim dividend per share (<i>HK cents</i>)	<u>12</u>	<u>12</u>

INTERIM RESULTS

The Board of Directors of The Grande Holdings Limited (the "Company") is pleased to announce that the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007, together with the comparative figures for the corresponding period and selected explanatory notes are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended	
		30 June 2007 (Unaudited) <i>HK\$ million</i>	30 June 2006 (Unaudited) <i>HK\$ million</i>
TURNOVER	3	3,295	3,879
Cost of sales		<u>(2,980)</u>	<u>(3,448)</u>
Gross profit		315	431
Other income		304	110
(Loss)/gain on disposal of subsidiaries		(17)	55
Distribution costs		(117)	(62)
Administrative expenses		(262)	(245)
Other operating expenses		(16)	(94)
Share of (loss)/profit of associates		(7)	5
Finance costs		<u>(34)</u>	<u>(42)</u>
PROFIT BEFORE TAX	5	166	158
Tax charge	6	<u>(8)</u>	<u>(1)</u>
PROFIT FOR THE PERIOD		<u>158</u>	<u>157</u>
ATTRIBUTABLE TO:			
Shareholders of the Company		168	163
Minority interests		<u>(10)</u>	<u>(6)</u>
		<u>158</u>	<u>157</u>
INTERIM DIVIDEND PROPOSED	7	<u>55</u>	<u>55</u>
EARNINGS PER SHARE		<i>HK cents</i>	<i>HK cents</i>
Basic	8	<u>36</u>	<u>35</u>
Diluted		<u>35</u>	<u>34</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 June 2007 (Unaudited) <i>HK\$ million</i>	As at 31 December 2006 (Audited) <i>HK\$ million</i>
NON-CURRENT ASSETS			
Property, plant and equipment	9	521	512
Prepaid lease payments		221	223
Investment properties		523	404
Interests in associates	10, 13	8	808
Investments available-for-sale	11	248	164
Deferred tax		45	47
Brands and trademarks	12	1,789	1,780
Other assets		253	262
Goodwill	10, 13	861	179
		4,469	4,379
CURRENT ASSETS			
Inventories	14	776	953
Accounts, bills and other receivables	15	993	1,302
Amounts due from associates		280	242
Prepayments, deposits and other assets		418	293
Tax recoverable		73	70
Investments held for trading	16	108	10
Derivative instruments	17	4	4
Pledged deposits with banks		33	33
Cash and bank balances		1,122	701
		3,807	3,608
CURRENT LIABILITIES			
Accounts and bills payable	18	1,072	1,053
Amounts due to associates		13	32
Accrued liabilities and other payables		398	526
Cash dividend payable	7	64	-
Tax liabilities		10	18
Trust receipt loans		189	564
Current portion of secured bank loans	26	109	115
Current portion of unsecured bank loans		120	149
Obligations under finance leases	26	1	1
Derivative instruments	17	104	93
Unsecured bank overdrafts		904	647
		2,984	3,198
NET CURRENT ASSETS		823	410
TOTAL ASSETS LESS CURRENT LIABILITIES		5,292	4,789

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

	<i>Notes</i>	As at 30 June 2007 (Unaudited) <i>HK\$ million</i>	As at 31 December 2006 (Audited) <i>HK\$ million</i>
NON-CURRENT LIABILITIES			
Non-current portion of secured bank loans	26	294	222
Non-current portion of unsecured bank loans		40	47
Obligations under finance leases	26	2	1
Convertible debenture	19	198	192
Exchangeable bonds issued by a subsidiary	20, 26	311	310
Provision for retirement and long service		14	14
Accrued liabilities and other payables		29	47
		<u>888</u>	<u>833</u>
NET ASSETS		<u><u>4,404</u></u>	<u><u>3,956</u></u>
CAPITAL AND RESERVES			
Share capital	21	46	46
Share premium	22	1,173	1,173
Reserves	23	1,888	1,774
		<u>3,107</u>	<u>2,993</u>
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS		<u>3,107</u>	<u>2,993</u>
MINORITY INTERESTS	23	<u>1,297</u>	<u>963</u>
TOTAL EQUITY		<u><u>4,404</u></u>	<u><u>3,956</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 June 2007 (Unaudited) <i>HK\$ million</i>	30 June 2006 (Unaudited) <i>HK\$ million</i>
Net cash generated from/(used in) operating activities	233	(33)
Net cash generated from/(used in) investing activities	323	(14)
Net cash (used in)/generated from financing activities	<u>(393)</u>	<u>120</u>
Increase in cash and cash equivalents	163	73
Cash and cash equivalents at 1 January	54	(168)
Effect of foreign exchange rate changes, net	<u>1</u>	<u>-</u>
Cash and cash equivalents at 30 June	<u><u>218</u></u>	<u><u>(95)</u></u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	1,122	639
Unsecured bank overdrafts	<u>(904)</u>	<u>(734)</u>
	<u><u>218</u></u>	<u><u>(95)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES

	Six months ended	
	30 June 2007 (Unaudited) <i>HK\$ million</i>	30 June 2006 (Unaudited) <i>HK\$ million</i>
Net exchange differences on translation of the financial statements of overseas subsidiaries and associates	<u>17</u>	<u>16</u>
Net income recognised directly in equity	17	16
Profit for the period	158	157
Released on reclassification of investments available-for-sale to interests in associates	<u>—</u>	<u>(7)</u>
Total recognised income and expense for the period	<u><u>175</u></u>	<u><u>166</u></u>
Attributable to:		
Shareholders of the Company	178	169
Minority interests	<u>(3)</u>	<u>(3)</u>
	<u><u>175</u></u>	<u><u>166</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

30 June 2007

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those adopted in preparing the Group's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the "new HKFRSs") that are effective for the Group's financial year beginning on 1 January 2007. The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

2. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not early applied the new standards, amendments and interpretations that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to reasonably estimate the impact that may arise on the Group's results and financial position from the application of these new standards, amendments and interpretations.

3. TURNOVER

Turnover represents the net invoiced value of goods sold after allowances for returns and trade discounts, royalty income and securities trading, but excludes intra-group transactions.

The Group comprises of:

Groups	Principal activities
(i) Branded distribution	Trading of audio & video products, licensing business and securities trading
(ii) Electronics manufacturing services	Manufacture and trading of electronic and computer products

An analysis of the Group's turnover by principal activity for the period is as follows:

	Six months ended	
	30 June 2007 (Unaudited) <i>HK\$ million</i>	30 June 2006 (Unaudited) <i>HK\$ million</i>
Branded distribution	3,015	2,751
Electronics manufacturing services	280	1,128
	<u>3,295</u>	<u>3,879</u>

4. INCOME STATEMENT BY BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Income statement by business segments:

For the six months ended 30 June 2007:

	Branded distribution <i>HK\$ million</i>	Electronics manufacturing services <i>HK\$ million</i>	(Unaudited) Consolidated <i>HK\$ million</i>
Turnover	<u>3,015</u>	<u>280</u>	<u>3,295</u>
Segment results	<u>176</u>	<u>35</u>	211
Unallocated corporate expenses			<u>(6)</u>
			205
Loss on disposal of property, plant and equipment			(4)
Loss on disposal of subsidiaries			(17)
Share of loss of associates			(7)
Interest income			23
Interest expenses			(34)
Tax charge			<u>(8)</u>
Profit for the period			<u>158</u>

4. INCOME STATEMENT BY BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Income statement by business segments: (continued)

For the six months ended 30 June 2006:

	Branded distribution <i>HK\$ million</i>	Electronics manufacturing services <i>HK\$ million</i>	(Unaudited) Consolidated <i>HK\$ million</i>
Turnover	<u>2,751</u>	<u>1,128</u>	<u>3,879</u>
Segment results	<u>155</u>	<u>36</u>	191
Unallocated corporate expenses			<u>(10)</u>
			181
Gain on disposal of property, plant and equipment			7
Gain on partial disposal of subsidiaries			55
Impairment loss recognised in respect of interests in associates			(58)
Share of profit of associates			5
Interest income			10
Interest expenses			(42)
Tax charge			<u>(1)</u>
Profit for the period			<u>157</u>

(b) The geographical segments of the Group's turnover is as follows:

	Six months ended	
	30 June 2007 (Unaudited) <i>HK\$ million</i>	30 June 2006 (Unaudited) <i>HK\$ million</i>
Asia	1,768	1,288
North America	1,128	2,181
Europe	<u>399</u>	<u>410</u>
	<u>3,295</u>	<u>3,879</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended	
	30 June 2007	30 June 2006
	(Unaudited)	(Unaudited)
	<i>HK\$ million</i>	<i>HK\$ million</i>
Depreciation of property, plant and equipment	36	41
Operating lease rentals:		
Land and buildings	18	23
Finance costs:		
Interest on bank overdrafts and loans wholly repayable within five years	31	39
Interest on bank loans wholly repayable beyond five years	3	3
Auditors' remuneration	7	6
Amortisation of other assets	10	14
Amortisation of prepaid lease payments	3	3
Staff costs:		
Salaries and other benefits	147	112
Retirement benefit costs	1	2
Allowance for doubtful debts	6	–
Cost of inventories recognised as expenses	2,790	3,252
Research and development expenditure	–	2
Impairment loss recognised in respect of interests in associates	–	58
Loss/(gain) on disposal of property, plant and equipment	4	(7)
Net increase in fair value of investment properties	(193)	(14)
Net foreign exchange gain	(35)	(3)
Change in fair value of investments held for trading	(48)	(5)
Change in fair value of derivative instruments	18	(27)
Discount on increased investment in subsidiaries	–	(11)
Share of tax of associates included in share of results of associates	–	(6)
Interest income	(23)	(10)
	(23)	(10)

6. TAX CHARGE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	30 June 2007 (Unaudited) <i>HK\$ million</i>	30 June 2006 (Unaudited) <i>HK\$ million</i>
Current period provision:		
Hong Kong	–	(1)
Overseas	4	–
Over/(under) provision in prior period		
Hong Kong	1	–
Overseas	(5)	–
Deferred tax		
Hong Kong	(2)	–
Overseas	(6)	–
	<u>(8)</u>	<u>(1)</u>

7. DIVIDENDS

	Six months ended	
	30 June 2007 (Unaudited) <i>HK\$ million</i>	30 June 2006 (Unaudited) <i>HK\$ million</i>
2006 final dividend payable of HK14 cents (2005: HK12 cents) per share on 460.2 million shares	<u>64</u>	<u>55</u>
Interim dividend in respect of 2007 of HK12 cents per share (2006: HK12 cents) on 460.2 million shares was approved by the Board after the balance sheet date, and not recognised as a liability as at 30 June	<u>55</u>	<u>55</u>

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

	Six months ended	
	30 June 2007 (Unaudited) <i>HK\$ million</i>	30 June 2006 (Unaudited) <i>HK\$ million</i>
Earnings for the purposes of basic earnings per share:		
Profit attributable to shareholders of the Company	168	163
Effect of dilutive potential ordinary shares:		
Interest on Convertible Debenture	3	5
Earnings for the purposes of diluted earnings per share	171	168
	30 June 2007	30 June 2006
	Number of ordinary shares <i>million</i>	Number of ordinary shares <i>million</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	460.2	460.2
Effect of dilutive potential ordinary shares:		
Convertible Debenture	28.3	28.3
Weighted average number of ordinary shares for the purposes of diluted earnings per share	488.5	488.5

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2007 (Unaudited) <i>HK\$ million</i>	31 December 2006 (Audited) <i>HK\$ million</i>
Net book value at beginning of year	512	691
Foreign currency adjustment	7	9
Additions	31	176
Acquisition of subsidiaries	55	43
Surplus on revaluation	–	10
Transferred from other current assets	–	10
Transferred to investment properties	–	(18)
Subsidiaries reclassified as associates	–	(299)
Disposal of subsidiaries	(42)	–
Disposals	(6)	(26)
Depreciation provided during the period	(36)	(84)
	<u>521</u>	<u>512</u>
Net book value at balance sheet date	<u>521</u>	<u>512</u>

10. INTERESTS IN ASSOCIATES

	30 June 2007 (Unaudited) <i>HK\$ million</i>	31 December 2006 (Audited) <i>HK\$ million</i>
Cost of investment less impairment	15	811
Share of post-acquisition losses and reserves	(7)	(3)
	<u>8</u>	<u>808</u>
Listed investments, at market value	<u>13</u>	<u>684</u>

10. INTERESTS IN ASSOCIATES (continued)

Particulars of the Group's principal associates are as follows:

Name	Notes	Place of incorporation/ registration and operation	Percentage of equity attributable to the Group		Principal activities
			30 June 2007	31 December 2006	
Advanced Microsensors, Inc.	(a)	United States of America	45%	45%	Development and manufacturing of magnetic materials
Ross Group Plc*		United Kingdom	41%	41%	Design and manufacture of engineering projects, and the sale and distribution of electronic products
ZS Kawa Electronics (Group) Co., Ltd.		The People's Republic of China	50%	50%	Property leasing

* Listed on the London Stock Exchange.

Notes:

- (a) No share of the net assets and results of Advanced Microsensors, Inc. is recorded as the investee is considered an associate of the Group by virtue of the Group's investment in convertible preference shares, which when converted, would constitute 45% of the equity interest of the investee.
- (b) As at 31 December 2006, the Group had approximately 29.99% interest in Sansui Electric Co., Ltd. ("SEC"), a company listed on the first section of the Tokyo Stock Exchange, recorded as interests in associates.

During the first half of 2007, the Group gradually increased its shareholding in SEC from 29.99% to 50.17%. As a result, SEC has been reclassified and accounted for as a subsidiary of the Group since June 2007. Consequent upon such reclassification, the Group's interests in associates has decreased by HK\$796 million and the goodwill has increased by HK\$689 million accordingly.

11. INVESTMENTS AVAILABLE-FOR-SALE

	30 June 2007 (Unaudited) <i>HK\$ million</i>	31 December 2006 (Audited) <i>HK\$ million</i>
Listed investments, at market value		
Hong Kong	1	–
Outside Hong Kong	1	1
	<u>2</u>	<u>1</u>
Unlisted investments		
Credit Linked Note	92	92
Others, at cost less impairment	154	71
	<u>246</u>	<u>163</u>
	<u>248</u>	<u>164</u>

12. BRANDS AND TRADEMARKS

	30 June 2007 (Unaudited) <i>HK\$ million</i>	31 December 2006 (Audited) <i>HK\$ million</i>
At beginning of year	1,780	1,311
Foreign currency adjustment	9	5
Acquisition of subsidiaries	–	464
	<u>1,789</u>	<u>1,780</u>

13. GOODWILL

	30 June 2007 (Unaudited) <i>HK\$ million</i>	31 December 2006 (Audited) <i>HK\$ million</i>
At beginning of year	179	151
Acquisition of subsidiaries	689	58
Increased investment in subsidiaries	–	14
Disposal of subsidiaries	(7)	(44)
	<u>861</u>	<u>179</u>

14. INVENTORIES

	30 June 2007 (Unaudited) <i>HK\$ million</i>	31 December 2006 (Audited) <i>HK\$ million</i>
Raw materials	224	254
Work in progress	33	57
Finished goods	519	642
	776	953
	776	953

15. ACCOUNTS, BILLS AND OTHER RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its trade customers. The aged analysis of trade and other receivables (net of allowance for doubtful debts) is as follows:

	30 June 2007 (Unaudited) <i>HK\$ million</i>	31 December 2006 (Audited) <i>HK\$ million</i>
0 – 3 months	814	1,251
3 – 6 months	53	11
Over 6 months	126	40
	993	1,302
	993	1,302

16. INVESTMENTS HELD FOR TRADING

	30 June 2007 (Unaudited) <i>HK\$ million</i>	31 December 2006 (Audited) <i>HK\$ million</i>
Listed investments, at market value		
Hong Kong	–	10
Unlisted investments, at fair value	108	–
	108	10
	108	10

The unlisted investments represent wines held by the Group for investment purposes.

17. DERIVATIVE INSTRUMENTS

	30 June 2007 (Unaudited)		31 December 2006 (Audited)	
	Assets <i>HK\$ million</i>	Liabilities <i>HK\$ million</i>	Assets <i>HK\$ million</i>	Liabilities <i>HK\$ million</i>
Held for trading or not qualifying as hedges:				
Derivatives embedded in non-derivative host contract	–	(5)	–	(1)
Derivatives instrument element of exchangeable bonds	–	(77)	–	(76)
Forward foreign exchange contracts	1	(22)	–	(2)
Interest rate swaps	3	–	4	(14)
	<u>4</u>	<u>–</u>	<u>4</u>	<u>(14)</u>
Classified as current assets/(liabilities)	<u>4</u>	<u>(104)</u>	<u>4</u>	<u>(93)</u>

18. ACCOUNTS AND BILLS PAYABLE

The aged analysis of accounts and bills payable is as follows:

	30 June 2007 (Unaudited) <i>HK\$ million</i>	31 December 2006 (Audited) <i>HK\$ million</i>
0 – 3 months	919	928
3 – 6 months	67	65
Over 6 months	86	60
	<u>1,072</u>	<u>1,053</u>

19. CONVERTIBLE DEBENTURE

On 5 December 2005, the Company issued a principal amount of US\$26 million (equivalent to HK\$202 million) Convertible Debenture (“Convertible Debenture”) at par value as part of the purchase consideration of a 37% equity interest in Emerson Radio Corp. (“ERC”), a company listed on the American Stock Exchange of the United States of America. The debentureholder is entitled to require the Company to convert the whole or any part(s) of the principal amount outstanding under the Convertible Debenture into ordinary shares in the capital of the Company at any time between the date of issue of the Convertible Debenture and the settlement date on 5 December 2008 at a conversion price of HK\$7.16 per ordinary share of the Company, provided that such part to be converted shall not be less than Hong Kong dollar equivalent to US\$5 million and shall be in a multiple of US\$1 million. If the Convertible Debenture has not been converted, it will be redeemed on 5 December 2008 at par, provided that the Company shall have the right, at any time by a 30-day prior written notice to debentureholder, to early redeem the whole or part of the outstanding principal amount of this Convertible Debenture. No interest for the period from the issue date to the day prior to the first anniversary of the issue date and 3% per annum for the period from the first anniversary of the issue date on 5 December 2005 until the maturity date on 5 December 2008.

The Convertible Debenture was split between the liability and derivative instrument. The derivative instrument element is presented in note 17.

	30 June 2007 (Unaudited) <i>HK\$ million</i>	31 December 2006 (Audited) <i>HK\$ million</i>
Liability component at beginning of year	192	179
Change in fair value	<u>6</u>	<u>13</u>
Liability component at balance sheet date	<u><u>198</u></u>	<u><u>192</u></u>

The fair value of the liability component of the Convertible Debenture determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan at the balance sheet date.

20. EXCHANGEABLE BONDS ISSUED BY A SUBSIDIARY

On 22 February 2006, Hi-Tech Precision Products Ltd (“Hi-Tech”), a wholly-owned subsidiary of the Group, issued a principal amount of US\$50 million (equivalent to HK\$388 million) Zero Coupon Guaranteed Exchangeable Bonds (“Exchangeable Bonds”) at par value to independent third parties. The holder of each Exchangeable Bond will have an exchange right to exchange such Exchangeable Bonds for SEC shares at the exchange price of 40.36929 Yen per SEC share during the period beginning on and after 23 March 2006 and up to the earlier of (i) 8 February 2011 (but in no event thereafter), or (ii) if such Exchangeable Bonds shall have been called for redemption prior to 8 February 2011, then up to on the third business day immediately prior to the date fixed for redemption thereof. Assuming full exchange of the Exchangeable Bonds at the exchange price, the Exchangeable Bonds will be exchangeable into 146,683,283 SEC shares, representing 10.76% of the common stocks of SEC (subject to adjustment).

The Exchangeable Bonds are split between the liability and derivative instrument. The fair value of the liability component of the Exchangeable Bonds has been determined based on the present value of its future cash outflows discounted at the prevailing market yield of non-convertible loans with similar grading as the Exchangeable Bonds as at the balance sheet date.

	30 June 2007 (Unaudited) <i>HK\$ million</i>	31 December 2006 (Audited) <i>HK\$ million</i>
Liability component at beginning of year	310	–
Issue of Exchangeable Bonds	–	219
Change in fair value	1	91
	<u>311</u>	<u>310</u>
Liability component at balance sheet date	<u>311</u>	<u>310</u>

21. SHARE CAPITAL

	30 June 2007 (Unaudited) <i>HK\$ million</i>	31 December 2006 (Audited) <i>HK\$ million</i>
Authorised:		
1,000,000,000 ordinary shares of HK\$0.1 each	<u>100</u>	<u>100</u>
Issued and fully paid:		
460,227,320 ordinary shares of HK\$0.1 each	<u>46</u>	<u>46</u>

22. SHARE PREMIUM

	30 June 2007 (Unaudited) <i>HK\$ million</i>	31 December 2006 (Audited) <i>HK\$ million</i>
At 1 January and balance sheet date	<u>1,173</u>	<u>1,173</u>

23. RESERVES AND MINORITY INTERESTS

	Contributed reserve <i>HK\$ million</i>	Investment revaluation reserve <i>HK\$ million</i>	Capital reserve <i>HK\$ million</i>	Exchange fluctuation reserve <i>HK\$ million</i>	Retained profits <i>HK\$ million</i>	Total <i>HK\$ million</i>	Minority interests <i>HK\$ million</i>
At 1 January 2006	961	7	49	(185)	657	1,489	458
Increased investment in subsidiaries	-	-	-	-	-	-	475
Partial disposal of subsidiaries	-	-	-	-	-	-	51
Subsidiaries reclassified as associates	-	-	-	-	-	-	(2)
Investments available-for-sale reclassified as associates	-	(7)	-	-	-	(7)	-
Surplus on revaluation of investments available-for-sale	-	1	-	-	-	1	-
Surplus on revaluation of other properties	-	-	10	-	-	10	-
Share of reserves of overseas associates	-	-	-	2	-	2	-
Arising on consolidation of overseas subsidiaries	-	-	-	29	-	29	2
Profit for the year	-	-	-	-	360	360	-
Dividends	-	-	-	-	(110)	(110)	(21)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2006 and 1 January 2007	961	1	59	(154)	907	1,774	963
Arising on consolidation of overseas subsidiaries	-	-	-	10	-	10	7
Arising on acquisition of subsidiaries	-	-	-	-	-	-	310
Arising on partial disposal of subsidiaries	-	-	-	-	-	-	46
Profit for the period	-	-	-	-	168	168	(10)
Dividends	-	-	-	-	(64)	(64)	(19)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 June 2007	<u>961</u>	<u>1</u>	<u>59*</u>	<u>(144)</u>	<u>1,011</u>	<u>1,888</u>	<u>1,297</u>

* The balance of capital reserve represents property revaluation reserve.

24. CONTINGENT LIABILITIES

	30 June 2007 (Unaudited) <i>HK\$ million</i>	31 December 2006 (Audited) <i>HK\$ million</i>
Bills discounted with recourse	<u>164</u>	<u>136</u>
Guarantee of trade finance banking facilities granted to a former associate	<u>-</u>	<u>15</u>

Towards the end of the 2005, the Hong Kong Inland Revenue Department (“HKIRD”) initiated a field audits on certain subsidiaries of the Group for the financial years from 1998 to 2005 for the purpose of ascertaining the Hong Kong tax liabilities of these subsidiaries. The Group has appointed tax advisers in Hong Kong to advise them with respect to the field audits. The HKIRD has granted the Group time to collate information requested by the HKIRD and in the meantime has issued protective assessments to which the Group has filed objections. In addition, additional assessments were issued to certain subsidiaries for which Tax Reserve Certificates of HK\$80 million have been purchased. The directors consider it impractical to determine whether the field audits will result in any additional tax liabilities for the subsidiaries at this stage. The directors are of the opinion that the Group’s Hong Kong tax provision is sufficient and it is not feasible and they are not able at this time to make any judgement or determination as to whether the field audit will result in any additional tax liability. Accordingly no provision for any liability that may result has been made in the financial statements.

25. COMMITMENTS

	30 June 2007 (Unaudited) <i>HK\$ million</i>	31 December 2006 (Audited) <i>HK\$ million</i>
(a) The future minimum lease payments under non-cancellable operating leases for each of the following periods:		
Land and buildings:		
Not later than one year	25	38
Later than one year and not later than five years	63	88
Later than five years	51	33
	<u>139</u>	<u>159</u>
Others:		
Not later than one year	7	7
Later than one year and not later than five years	14	17
	<u>21</u>	<u>24</u>
(b) At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:		
Investment properties:		
Not later than one year	–	2
Later than one year and not later than five years	–	3
	<u>–</u>	<u>5</u>

26. BANKING AND OTHER BORROWING FACILITIES

Certain banking and other borrowing facilities available to the Group were secured by assets for which the aggregate carrying values were as follows:

	30 June 2007 (Unaudited) <i>HK\$ million</i>	31 December 2006 (Audited) <i>HK\$ million</i>
(a) Legal charges over brands and trademarks, account receivables and inventories	669	493
(b) Legal charges over medium-term prepaid lease payments and buildings in Hong Kong	58	59
(c) Legal charges over investment properties	514	394
(d) Legal charges over plant and equipment	60	36
(e) Pledge of medium-term prepaid lease payments and buildings outside Hong Kong	118	64
(f) Pledge of marketable securities	716	587
(g) Pledge of bank deposits	33	33
	<u>2,168</u>	<u>1,666</u>

27. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the board of directors on 21 September 2007.

DIVIDENDS

The Board of Directors has resolved to pay an interim dividend of HK12 cents per share (2006: HK12 cents per share) totaling approximately HK\$55 million (2006: HK\$55 million) to shareholders whose names appear on the register of members on 15 October 2007. It is expected that dividends will be dispatched to shareholders on or before 14 November 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 16 October to 18 October 2007, both days inclusive, during which no transfer of shares will be registered.

To rank for the interim dividend, all transfers should be lodged with the Company's Registrar, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 15 October 2007.

BUSINESS REVIEW AND PROSPECTS

The turnover of the Group for the six months ended 30 June 2007 (“current period”) was HK\$3,295 million as compared to HK\$3,879 million for 2006 (“corresponding period”).

Profit before tax was HK\$166 million, as compared to HK\$158 million for the corresponding period.

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

The Branded Distribution Group

The Branded Distribution Group’s turnover for the current period was HK\$3,015 million as compared to HK\$2,751 million for the corresponding period. The severe pricing pressure on the digital products in global markets continues. The Group decided tactically to reduce the development and sales of the lower-end flat display products. The Group has instead focused on the development, production and sale of higher-end LCD TV with full high definition resolution display.

The Group continues to develop the global distribution and the licensing of the Nakamichi, Akai, Sansui and Emerson brands.

Nakamichi is the Group’s premium brand focusing on top end home entertainment systems. Its product range covers the top notch home theatre systems and a series of full high definition LCD TV. Nakamichi has also launched its stand-alone Electrostatic Speakers (“ESL”) during the current period. Both the LCD TV and ESL speakers received prestigious CES Innovation Awards at Las Vegas CES show in January 2007.

Akai and Sansui continue to be the mass marketed consumer electronic brands targeting market segments for mid to high end entertainment products. Both brands offer a comprehensive series of Plasma TV and LCD TV ranging from the basic models to those with full high definition resolutions display. Akai and Sansui products are currently available in most parts of the world as a result of the Group’s continuous effort to expand its global distribution network.

Emerson is a well-known brand in America focusing on low to mid end consumer electronic products and electrical appliances. Through the Group’s global distribution network, Emerson has also expanded its distribution to Europe and Asia Pacific.

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

BUSINESS REVIEW AND PROSPECTS (continued)

The Electronics Manufacturing Services Group

The Electronics Manufacturing Services Group (“EMS”) for the current period is represented by Lafe Technology Limited (“Lafe”) which is a leading manufacturer of recording heads and related assemblies for hard disc drives and optical drives in the global storage market.

The EMS turnover for the current period was HK\$280 million as compared to HK\$1,128 million in the corresponding period. The turnover of the corresponding period included that of Tomei Technologies Limited which, since the beginning of the current period, has been reorganised into the Branded Distribution Group owing to its growing involvement in the production of the branded products.

The EMS operating profit for the current period was HK\$35 million as compared to HK\$36 million for the corresponding period. Despite the severe global pricing pressure on the recording heads, Lafe continues to collaborate with its customers to develop new products with value added content in order to stay competitive in the market.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2007, the Group had total assets of HK\$8,276 million which were financed by shareholders’ funds of HK\$3,107 million, minority interests of HK\$1,297 million and total liabilities of HK\$3,872 million. The Group had a current ratio of approximately 1.28 as compared to that of approximately 1.13 at 31 December 2006.

As at 30 June 2007, the Group had HK\$1,155 million cash and bank balances. The Group’s working capital requirements were mainly financed by internal resources and short-term borrowings which were charged by banks at fixed and floating interest rates. As at 30 June 2007, the Group had HK\$419 million short-term bank borrowings and HK\$904 million bank overdrafts.

The Group had inventories of approximately HK\$776 million as at 30 June 2007 representing a decrease of HK\$177 million compared to that at 31 December 2006.

At the balance sheet date, the Group’s gearing ratio was 24.86% which is calculated based on the Group’s net borrowings of HK\$1,095 million (calculated as total interest-bearing borrowings less cash and bank balances) and total equity of HK\$4,404 million.

CHARGES ON GROUP ASSETS

At 30 June 2007, certain of the Group's assets with a total net book value of approximately HK\$2,168 million have been pledged to banks to secure banking facilities granted to the Group. Details are set out in note 26 to the condensed financial statements.

TREASURY POLICIES

The Group's major borrowings are in US dollars, Singapore dollars and HK dollars. All borrowings are based on LIBOR or Hong Kong best lending rates. As the Group's revenues are mainly in US dollars, and major borrowings and payments are in either US dollars, Singapore dollars or HK dollars, there is a natural hedge mechanism in place and currency risk exposure is relatively low. The Group has a strong treasury management function and will continue to manage its currency and interest rate exposures.

SIGNIFICANT INVESTMENTS

During the first half 2007, the Group increased its shareholding interests in SEC from 29.99% at 31 December 2006 to 50.17% at 30 June 2007. The investment in SEC has since June 2007 been accounted for as a subsidiary. The details are set out in note 10 to the condensed financial statements.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 30 June 2007 was approximately 9,000. The Group remunerated its employees mainly based on the industry practice, individual's performance and experience. Apart from the basic remuneration, a discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as to an individual's performance. Other benefits include medical and retirement schemes.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The share option scheme adopted by the Company on 26 November 1990 had expired and there are no options outstanding as at the date of this report.

Apart from the foregoing, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At the balance sheet date, the interests of the directors and chief executives of the Company in the shares and underlying shares of the Company or its associated corporations, if any, (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("HKSE") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and HKSE were as follows:

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	310,049,822*	67.36%
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 has a 100% deemed beneficial interest in The Grande International Holdings Limited which owned 310,049,822 ordinary shares in the Company through its wholly owned subsidiary, Barrican Investments Corporation.

SUBSTANTIAL SHAREHOLDERS

(a) Interest in the Company

As at 30 June 2007, the following persons (other than the directors or chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and HKSE under the provisions of Division 2 and 3 of Part XV of the SFO or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Name of substantial shareholders	Capacity	Number of issued ordinary shares of HK\$0.10 each in the Company held	% of the issued share capital
Mr. Gottfried Ludwig Prentice Jurick	Beneficial owner	28,324,022	6.15%
Mr. Lawrence Y. L. Ho	Corporate	24,986,000*	5.42%

* Mr. Lawrence Y. L. Ho owned 24,986,000 ordinary shares in the Company through Grand Villa Assets Limited of which he has 100% control.

(b) Interest in a member of the Group

Name of the member of the Group	Shareholding interest of the Group	Other substantial shareholder and his/her shareholding interest
Capetronic Group Ltd	85%	Starcom Pacific Trading Limited, 15%

Save as disclosed above, as at the balance sheet date, none of the directors knew of any person (other than the directors or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and HKSE under the provisions of Division 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

CORPORATE GOVERNANCE

The Company is committed to attaining good standard of corporate governance practices with an emphasis on a quality board, better transparency, and effective accountability system in order to enhance shareholders' value. Detailed disclosure of the Company's corporate governance practices is available in the 2006 annual report.

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Listing Rules as its own code and has complied with the Code throughout the six months ended 30 June 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Model Code"). Having made specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the six months ended 30 June 2007.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters related to the preparation of the unaudited condensed financial statements for the six months ended 30 June 2007.

By order of the Board
Christopher W. Ho
Chairman

Hong Kong, 21 September 2007