

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

2 0 0 8

FINANCIAL HIGHLIGHTS

(Unaudited)

Six months ended

30 June 2008 30 June 2007
 (Restated)

OPERATING RESULTS:

Turnover (<i>HK\$ million</i>)	1,353	3,025
Profit attributable to shareholders (<i>HK\$ million</i>)	<u>81</u>	<u>168</u>

PER SHARE DATA:

Earnings/(loss) per share–

From continuing and discontinued operations–

Basic (<i>HK cents</i>)	N/A	36
Diluted (<i>HK cents</i>)	N/A	35

From continuing operations–

Basic (<i>HK cents</i>)	18	(7)
Diluted (<i>HK cents</i>)	17	(6)

Interim dividend per share (<i>HK cents</i>)	<u>5</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 2008, together with the comparative figures for the corresponding period and selected explanatory notes are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	(Unaudited)	
		Six months ended	
		30 June 2008	30 June 2007
		<i>HK\$ million</i>	<i>HK\$ million</i>
			(Restated)
CONTINUING OPERATIONS—			
TURNOVER	3	1,353	3,025
Cost of sales		(1,111)	(2,737)
Gross profit		242	288
Other income		260	109
Gain/(loss) on disposal of subsidiaries		27	(17)
Distribution costs		(51)	(114)
Administrative expenses		(238)	(241)
Other operating expenses		(164)	(28)
Share of loss of associates		—	(7)
Finance costs		(22)	(32)
PROFIT/(LOSS) BEFORE TAX		54	(42)
Tax charge	5	(1)	(10)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		53	(52)

CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

		(Unaudited)	
		Six months ended	
	<i>Notes</i>	30 June 2008 <i>HK\$ million</i>	30 June 2007 <i>HK\$ million</i> (Restated)
DISCONTINUED OPERATIONS—			
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	6	—	200
PROFIT FOR THE PERIOD	7	53	148
ATTRIBUTABLE TO:			
Shareholders of the Company		81	168
Minority interests		(28)	(20)
		53	148
INTERIM DIVIDEND PROPOSED	8	23	55
		<i>HK cents</i>	<i>HK cents</i>
EARNINGS/(LOSS) PER SHARE	9		
From continuing and discontinued operations—			
Basic		N/A	36
Diluted		N/A	35
From continuing operations—			
Basic		18	(7)
Diluted		17	(6)

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 30 June 2008 HK\$ million	(Audited) As at 31 December 2007 HK\$ million
NON-CURRENT ASSETS			
Property, plant and equipment	10	339	356
Prepaid lease payments		–	10
Investment properties		42	44
Interests in associates	11	–	–
Investments available-for-sale	12	151	166
Deferred tax		49	58
Brands and trademarks	13	1,785	1,785
Other assets		12	7
Goodwill	14	631	660
		<u>3,009</u>	<u>3,086</u>
CURRENT ASSETS			
Inventories	15	314	465
Accounts, bills and other receivables	16	285	538
Amounts due from associates		–	349
Prepayments, deposits and other assets		541	143
Tax recoverable		7	40
Deferred tax		37	40
Investments held for trading	17	274	138
Derivative instruments	18	1	2
Pledged deposits with banks		68	101
Cash and bank balances		636	701
		<u>2,163</u>	<u>2,517</u>
Assets of a disposal group held for distribution		–	1,606
		<u>2,163</u>	<u>4,123</u>
CURRENT LIABILITIES			
Accounts and bills payable	19	303	716
Amounts due to associates		3	4
Accrued liabilities and other payables		431	439
Cash dividend payable	8	37	–
Tax liabilities		6	11
Trust receipt loans		57	154
Current portion of secured bank loans	27	324	327
Current portion of unsecured bank loans		16	15
Obligations under finance leases	27	16	15
Derivative instruments	18	100	213
Convertible debenture	20	210	198
Unsecured bank overdrafts		657	540
		<u>2,160</u>	<u>2,632</u>
Liabilities of a disposal group held for distribution		–	898
		<u>2,160</u>	<u>3,530</u>
NET CURRENT ASSETS		<u>3</u>	<u>593</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,012</u>	<u>3,679</u>

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

		(Unaudited) As at 30 June 2008	(Audited) As at 31 December 2007
	<i>Notes</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
NON-CURRENT LIABILITIES			
Non-current portion of secured bank loans	27	54	58
Non-current portion of unsecured bank loans		23	32
Obligations under finance leases	27	19	25
Exchangeable bonds issued by a subsidiary	21, 27	246	217
Derivative instruments	18	65	64
Provision for retirement and long service		3	8
Accrued liabilities and other payables		33	28
		<u>443</u>	<u>432</u>
NET ASSETS		<u>2,569</u>	<u>3,247</u>
CAPITAL AND RESERVES			
Share capital	22	46	46
Share premium	23	1,173	1,173
Reserves	24	540	1,169
		<u>1,759</u>	<u>2,388</u>
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS		1,759	2,388
MINORITY INTERESTS	24	<u>810</u>	<u>859</u>
TOTAL EQUITY		<u>2,569</u>	<u>3,247</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	Six months ended	
	30 June 2008	30 June 2007
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net cash generated from operating activities	89	233
Net cash generated from investing activities	59	323
Net cash used in financing activities	(333)	(393)
(Decrease)/increase in cash and cash equivalents	(185)	163
Cash and cash equivalents at 1 January	161	54
Effect of foreign exchange rate changes, net	3	1
Cash and cash equivalents at 30 June	(21)	218
Analysis of balances of cash and cash equivalents		
Cash and bank balances	636	1,122
Unsecured bank overdrafts	(657)	(904)
	(21)	218

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES

	<i>Notes</i>	(Unaudited)	
		Six months ended	
		30 June 2008	30 June 2007
		<i>HK\$ million</i>	<i>HK\$ million</i>
Net exchange differences on translation of the financial statements of overseas subsidiaries		14	17
Net income recognised directly in equity		14	17
Profit for the period	4(a)	53	158
Total recognised income and expense for the period		<u>67</u>	<u>175</u>
Attributable to:			
Shareholders of the Company		116	178
Minority interests		(49)	(3)
		<u>67</u>	<u>175</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

30 June 2008

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 2007.

In the current period, the Group has applied, for the first time, the following new interpretations issued by the HKICPA that are effective for the Group’s financial year beginning on 1 January 2008. The adoption of these new interpretations 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.

HK(IFRIC) – Int 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – Int 12	Service concession arrangements
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

2. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not early applied the following new or revised Hong Kong Financial Reporting Standards, amendments and interpretations (“HKFRS”) that have been issued but are not yet effective for the financial year beginning on 1 January 2008, and is in the process of assessing their impact on future accounting periods.

HKAS 1 (Revised)	(i)	Presentation of financial statements
HKAS 23 (Revised)	(i)	Borrowing costs
HKAS 27 (Revised)	(ii)	Consolidated and separate financial statements
HKAS 32 (Amendment)	(i)	Financial instruments: presentation
HKFRS 2 (Amendment)	(i)	Share-based payment: vesting conditions and cancellations
HKFRS 3 (Revised)	(ii)	Business combinations
HKFRS 8	(i)	Operating segments
HK(IFRIC) – Int 13	(iii)	Customer loyalty programmes

- (i) Effective for annual periods beginning on or after 1 January 2009.
- (ii) Effective for annual periods beginning on or after 1 July 2009.
- (iii) Effective for annual periods beginning on or after 1 July 2008.

3. TURNOVER

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

The Group comprises of:

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

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

	(Unaudited)	
	Six months ended	
	30 June 2008	30 June 2007
	<i>HK\$ million</i>	<i>HK\$ million</i>
		(Restated)
Branded distribution	844	1,648
Electronics manufacturing services	509	1,377
	<hr/>	<hr/>
Attributable to continuing operations	1,353	3,025
Attributable to discontinued operations	–	270
	<hr/>	<hr/>
	1,353	3,295
	<hr/> <hr/>	<hr/> <hr/>

4. INCOME STATEMENT BY BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Unaudited income statement by business segments:

For the six months ended 30 June 2008:

	Electronics		Continuing operations	Discontinued operations	Consolidated
	Branded distribution	manufacturing services			
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Turnover	844	509	1,353	–	1,353
Segment results	4	41	45	–	45
Unallocated corporate expenses					(19)
					26
Gain on disposal of property, plant and equipment					47
Gain on disposal of subsidiaries					27
Change in fair value of exchangeable bonds and convertible debenture					(42)
Loss on financial derivatives					(113)
Provisions written back on disposal of subsidiaries					119
Interest income					12
Interest expenses					(22)
Tax charge					(1)
Profit for the period					53

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

(a) Unaudited income statement by business segments: (continued)

For the six months ended 30 June 2007 (Restated):

	Electronics				Consolidated HK\$ million
	Branded distribution HK\$ million	manufacturing services HK\$ million	Continuing operations HK\$ million	Discontinued operations HK\$ million	
	Turnover	1,648	1,377	3,025	
Segment results	(35)	25	(10)	209	199
Unallocated corporate expenses					(14)
					185
Loss on disposal of property, plant and equipment					(4)
Loss on disposal of subsidiaries					(17)
Change in fair value of exchangeable bonds and convertible debenture					(12)
Gain on financial derivatives					32
Share of loss of associates					(7)
Interest income					23
Interest expenses					(34)
Tax charge					(8)
Profit for the period					158

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

	(Unaudited)	
	Six months ended	
	30 June 2008 HK\$ million	30 June 2007 HK\$ million (Restated)
Asia	631	1,737
North America	674	1,065
Europe	48	223
	1,353	3,025

5. TAX CHARGE

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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.

	(Unaudited)	
	Six months ended	
	30 June 2008	30 June 2007
	<i>HK\$ million</i>	<i>HK\$ million</i>
		(Restated)
The tax charge/(credit) comprises:		
Current period provision:		
Overseas	1	(4)
(Over)/under provision in prior period		
Hong Kong	–	(1)
Overseas	(1)	5
Deferred tax		
Hong Kong	1	4
Overseas	–	6
	<u>1</u>	<u>10</u>

6. DISCONTINUED OPERATIONS

Profit of the disposal group held for distribution for the period:

	(Unaudited)	
	Six months ended	
	30 June 2008	30 June 2007
	<i>HK\$ million</i>	<i>HK\$ million</i>
		(Restated)
Turnover	–	270
Cost of sales	–	(243)
	<hr/>	<hr/>
Gross profit	–	27
Other income	–	207
Distribution costs	–	(3)
Administrative costs	–	(21)
Finance costs	–	(2)
	<hr/>	<hr/>
Profit before tax	–	208
Tax	–	2
	<hr/>	<hr/>
Profit for the period	–	210
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Shareholders of the Company	–	200
Minority interests	–	10
	<hr/>	<hr/>
	–	210
	<hr/> <hr/>	<hr/> <hr/>

7. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging/(crediting):

	(Unaudited)	
	Six months ended	
	30 June 2008	30 June 2007
	<i>HK\$ million</i>	<i>HK\$ million</i>
		(Restated)
Depreciation:		
Owned property, plant and equipment	25	36
Leased property, plant and equipment	12	–
Operating lease rentals:		
Land and buildings	11	18
Finance costs:		
Interest on bank overdrafts and loans wholly repayable within five years	21	31
Interest on bank loans wholly repayable beyond five years	1	3
Auditors' remuneration	5	7
Research and development expenditure	1	–
Amortisation of other assets	–	10
Amortisation of prepaid lease payments	–	3
Staff costs:		
Salaries and other benefits	118	147
Retirement benefit costs	1	1
Doubtful debts (written back)/allowed	(7)	6
Cost of inventories recognised as expenses	1,001	2,790
(Gain)/loss on disposal of property, plant and equipment	(47)	4
Net increase in fair value of investment properties	–	(193)
Net foreign exchange gain	(4)	(9)
Change in fair value of investments held for trading	(14)	(48)
Change in fair value of exchangeable bonds and convertible debenture	42	12
Loss/(gain) on financial derivatives	113	(32)
Provisions written back on disposal of subsidiaries	(119)	–
Interest income	(12)	(23)
	<u> </u>	<u> </u>

8. DIVIDENDS

	(Unaudited)	
	Six months ended	
	30 June 2008	30 June 2007
	<i>HK\$ million</i>	<i>HK\$ million</i>
2007 second interim dividend satisfied by way of a distribution in specie of seven Lafe Technology Limited (“Lafe”) shares for every five ordinary shares of the Company (the fair value on distribution date of Lafe shares was HK\$ 1.10 each which equates to a dividend of HK\$1.54 per share on 460.2 million shares)	708	–
2007 final dividend payable of HK8 cents (2006: HK14 cents) per share on 460.2 million shares	37	64
	745	64
	23	55
Interim dividend in respect of 2008 of HK5 cents per share (2007: 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		

9. EARNINGS/(LOSS) PER SHARE

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

	(Unaudited)	
	Six months ended	
	30 June 2008	30 June 2007
	<i>HK\$ million</i>	<i>HK\$ million</i>
		(Restated)
Earnings/(loss):		
Profit/(loss) attributable to shareholders of the Company used in the basic earnings per share calculation		
From continuing operations	81	(32)
From discontinued operations	–	200
	81	168
Effect of dilutive potential ordinary shares:		
Interest on Convertible Debenture	2	3
	83	171
Earnings for the purposes of diluted earnings per share	83	171
Attributable to:		
Continuing operations	83	(29)
Discontinued operations	–	200
	83	171
	83	171
	30 June 2008	30 June 2007
	Number of	Number of
	ordinary shares	ordinary shares
	<i>million</i>	<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
	488.5	488.5
Weighted average number of ordinary shares for the purposes of diluted earnings per share	488.5	488.5

10. PROPERTY, PLANT AND EQUIPMENT

	(Unaudited) 30 June 2008 <i>HK\$ million</i>	(Audited) 31 December 2007 <i>HK\$ million</i>
Net book value at beginning of year	356	512
Foreign currency adjustment	18	26
Additions	60	126
Surplus on revaluation	–	24
Acquisition of subsidiaries	–	55
Transferred to investment properties	–	(35)
Disposal of subsidiaries	(2)	(137)
Disposal group held for distribution	–	(106)
Disposals	(56)	(31)
Impairment	–	(2)
Depreciation provided during the period	(37)	(76)
	<hr/>	<hr/>
Net book value at balance sheet date	339	356
	<hr/> <hr/>	<hr/> <hr/>

11. INTERESTS IN ASSOCIATES

	(Unaudited) 30 June 2008 <i>HK\$ million</i>	(Audited) 31 December 2007 <i>HK\$ million</i>
Cost of investment less impairment	–	8
Share of post-acquisition losses and reserves	–	(8)
	<hr/>	<hr/>
	–	–
	<hr/> <hr/>	<hr/> <hr/>
Listed investments, at market value	6	12
	<hr/> <hr/>	<hr/> <hr/>

11. INTERESTS IN ASSOCIATES (continued)

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

Name	Place of incorporation/ registration and operation	Percentage of equity attributable to the Group		Principal activities
		30 June 2008	31 December 2007	
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. ("Kawa")	The People's Republic of China	–	50%	Property leasing

[#] Listed on the London Stock Exchange.

In June 2008, the Group disposed of its entire shareholding interests in Kawa to an independent third party for a nominal consideration of HK\$1,000. The carrying value of the Group's investment in Kawa at the time of disposal was nil.

12. INVESTMENTS AVAILABLE-FOR-SALE

	(Unaudited) 30 June 2008 <i>HK\$ million</i>	(Audited) 31 December 2007 <i>HK\$ million</i>
Listed investments, at market value		
Hong Kong	1	1
Unlisted investments		
Credit Linked Note	–	14
Others, at cost less impairment	150	151
	150	165
	151	166

13. BRANDS AND TRADEMARKS

	(Unaudited) 30 June 2008 <i>HK\$ million</i>	(Audited) 31 December 2007 <i>HK\$ million</i>
At beginning of year	1,785	1,780
Foreign currency adjustment	–	5
	<u>1,785</u>	<u>1,785</u>

14. GOODWILL

	(Unaudited) 30 June 2008 <i>HK\$ million</i>	(Audited) 31 December 2007 <i>HK\$ million</i>
At beginning of year	660	179
Increased investment in subsidiaries	–	790
Written off	–	(12)
Disposal group held for distribution	–	(59)
Impairment loss in respect of interests in a subsidiary	–	(97)
Complete or partial disposals of subsidiaries	(29)	(141)
	<u>631</u>	<u>660</u>

15. INVENTORIES

	(Unaudited) 30 June 2008 <i>HK\$ million</i>	(Audited) 31 December 2007 <i>HK\$ million</i>
At net realisable value:		
Raw materials	30	98
Work in progress	2	2
Finished goods	282	365
	<u>314</u>	<u>465</u>

16. 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:

	(Unaudited) 30 June 2008 <i>HK\$ million</i>	(Audited) 31 December 2007 <i>HK\$ million</i>
0 – 3 months	253	480
3 – 6 months	4	7
Over 6 months	28	51
	<u>285</u>	<u>538</u>

17. INVESTMENTS HELD FOR TRADING

	(Unaudited) 30 June 2008 <i>HK\$ million</i>	(Audited) 31 December 2007 <i>HK\$ million</i>
Listed investments in Hong Kong, at market value	80	–
Unlisted investments, at fair value	194	138
	<u>274</u>	<u>138</u>

18. DERIVATIVE INSTRUMENTS

	(Unaudited) 30 June 2008		(Audited) 31 December 2007	
	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 instrument element of				
exchangeable bonds	–	(12)	–	(63)
Forward foreign exchange contracts	–	(11)	2	(87)
Interest rate swaps	1	(142)	–	(127)
	<u>1</u>	<u>(165)</u>	<u>2</u>	<u>(277)</u>
Less: Portion classified as current assets/(liabilities)	1	(100)	2	(213)
Portion classified as non-current liabilities	<u>–</u>	<u>(65)</u>	<u>–</u>	<u>(64)</u>

19. ACCOUNTS AND BILLS PAYABLE

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

	(Unaudited) 30 June 2008 <i>HK\$ million</i>	(Audited) 31 December 2007 <i>HK\$ million</i>
0 – 3 months	197	648
3 – 6 months	18	11
Over 6 months	88	57
	<u>303</u>	<u>716</u>

20. 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. 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.

	(Unaudited) 30 June 2008 <i>HK\$ million</i>	(Audited) 31 December 2007 <i>HK\$ million</i>
Liability component at beginning of year	198	192
Change in fair value	12	6
Liability component at balance sheet date	<u>210</u>	<u>198</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.

21. 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 Bond for Sansui Electric Co., Ltd. (“SEC”), a company listed on the first section of the Tokyo Stock Exchange, 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. As at the balance sheet date, a principal amount of US\$33 million Exchangeable Bonds remained outstanding. Assuming full exchange of the remaining Exchangeable Bonds at the exchange price, the Exchangeable Bonds will be exchangeable into 96,810,967 SEC shares, representing 7.10% 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.

	(Unaudited) 30 June 2008 <i>HK\$ million</i>	(Audited) 31 December 2007 <i>HK\$ million</i>
Liability component at beginning of year	217	310
Redemption of Exchangeable Bonds	–	(96)
Change in fair value	29	3
	<hr/>	<hr/>
Liability component at balance sheet date	<u>246</u>	<u>217</u>

22. SHARE CAPITAL

	(Unaudited) 30 June 2008 <i>HK\$ million</i>	(Audited) 31 December 2007 <i>HK\$ million</i>
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100</u>	<u>100</u>
Issued and fully paid:		
460,227,320 ordinary shares of HK\$0.10 each	<u>46</u>	<u>46</u>

23. SHARE PREMIUM

	(Unaudited) 30 June 2008 <i>HK\$ million</i>	(Audited) 31 December 2007 <i>HK\$ million</i>
At 1 January and balance sheet date	<u>1,173</u>	<u>1,173</u>

24. 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 2007	961	1	59	(154)	907	1,774	963
Derecognition of revalued properties arising from disposal group held for distribution	-	-	(49)	-	49	-	-
Increased investment in subsidiaries	-	-	-	-	-	-	242
Complete and partial disposals of subsidiaries	-	-	-	89	-	89	60
Impairment loss recognised in respect of interests in a subsidiary	-	-	-	(1)	-	(1)	43
Disposal group held for distribution	-	-	-	(6)	-	(6)	(363)
Disposal of investment available-for-sale	-	(1)	-	-	-	(1)	-
Diluted loss on disposal of subsidiaries	-	-	-	-	(18)	(18)	-
Surplus on revaluation of other properties Arising on consolidation of overseas subsidiaries	-	-	24	-	-	24	-
Loss for the year	-	-	-	23	(595)	(595)	(43)
Dividends	-	-	-	-	(120)	(120)	(51)
At 31 December 2007 and 1 January 2008	<u>961</u>	<u>-</u>	<u>34</u>	<u>(49)</u>	<u>223</u>	<u>1,169</u>	<u>859</u>
Derecognition of revaluation surplus arising from disposal of properties	-	-	(11)	-	11	-	-
Arising on consolidation of overseas subsidiaries	-	-	-	35	-	35	(21)
Profit for the period	-	-	-	-	81	81	(28)
Dividends	(708)	-	-	-	(37)	(745)	-
At 30 June 2008	<u>253</u>	<u>-</u>	<u>23*</u>	<u>(14)</u>	<u>278</u>	<u>540</u>	<u>810</u>

* The balance of capital reserve represents property revaluation reserve.

25. CONTINGENT LIABILITIES

	(Unaudited)	(Audited)
	30 June 2008	31 December 2007
	<i>HK\$ million</i>	<i>HK\$ million</i>
Bills discounted with recourse	–	122
	<u> </u>	<u> </u>

Towards the end of the 2005, the Hong Kong Inland Revenue Department (“HKIRD”) initiated a field audit 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 HKIRD has issued protective assessments to which the Group has filed objections. At this stage it is impractical to determine whether the field audits will result in any additional tax liabilities for the subsidiaries. In the circumstances, 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.

26. COMMITMENTS

	(Unaudited)	(Audited)
	30 June 2008	31 December 2007
	<i>HK\$ million</i>	<i>HK\$ million</i>
The future minimum lease payments under non-cancellable operating leases for each of the following periods:		
Land and buildings:		
Not later than one year	30	38
Later than one year and not later than five years	84	83
Later than five years	14	21
	<u> </u>	<u> </u>
	<u>128</u>	<u>142</u>
Others:		
Not later than one year	–	7
Later than one year and not later than five years	–	13
	<u> </u>	<u> </u>
	<u>–</u>	<u>20</u>

27. 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:

	(Unaudited) 30 June 2008 <i>HK\$ million</i>	(Audited) 31 December 2007 <i>HK\$ million</i>
(a) Legal charges over brands and trademarks, account receivables and inventories	522	642
(b) Legal charges over investment properties	41	38
(c) Legal charges over plant and equipments	76	108
(d) Pledge of medium-term buildings outside Hong Kong	102	100
(e) Pledge of marketable securities	225	223
(f) Pledge of bank deposits	68	101
	<hr/>	<hr/>
	1,034	1,212
	<hr/> <hr/>	<hr/> <hr/>

28. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board of Directors on 17 September 2008.

DIVIDENDS

The Board of Directors has resolved to pay an interim dividend of HK5 cents per share (2007: HK12 cents per share) totaling approximately HK\$23 million (2007: HK\$55 million) to shareholders whose names appear on the register of members on 13 October 2008. It is expected that dividends will be dispatched to shareholders on or before 12 November 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 14 October to 16 October 2008, 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 13 October 2008.

BUSINESS REVIEW AND PROSPECTS

The turnover of the Group for the six months ended 30 June 2008 ("current period") was HK\$1,353 million as compared to HK\$3,025 million for 2007 ("corresponding period").

Profit attributable to shareholders was HK\$81 million, as compared to HK\$168 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 Group manages the distribution and licensing of global brands namely, Akai, Sansui, Emerson and Nakamichi.

The Branded Distribution Group's turnover for the current period was HK\$844 million as compared to HK\$1,648 million for the corresponding period. The substantial decrease in turnover was mainly attributable to the decision of the Board to change the direction of the Group's operations. Instead of the manufacture and sales of branded products, the Group concentrated on the licensing of the Akai and Sansui trademarks while still managing these brands. In view of the uncertain economic outlook in the global markets, it was considered that receiving royalty income would deliver a more consistent return. Despite a drop in the Group's turnover, such change of business focus has enabled the Group to improve significantly its operational efficiency and reduced substantially its working capital requirement.

Emerson is a well-known brand in the United States focusing on entry level to mid price consumer electronic products and small household electrical appliances. Despite the decreased sales in its audio and video products during the period under review, Emerson had successfully expanded its home appliances product lines to include such products as wine coolers, small refrigerators and toaster ovens in addition to microwave ovens.

Nakamichi is the Group's premium brand focusing on the top end lifestyle entertainment products including a full range of flat panel display products, audio, video and home theatre systems. The Group will continue to distribute the latest state of the art products through Nakamichi's network of qualified distributors worldwide.

The Electronics Manufacturing Services Group

The Electronics Manufacturing Services Group (“EMS”) for the current period is represented by Capetronic Group Limited which is an OEM manufacturer of consumer electronics products for major global brands.

The EMS turnover for the current period was HK\$509 million as compared to HK\$1,377 million for the corresponding period. The decrease was attributable to the gradual shift of EMS’s focus from the manufacture and sales of complete products to the provision of high precision engineering contract services. As a result of its decision to change the business focus, the Group has equipped itself with a number of the latest state of the art Surface Mount Technology machines and associated equipment.

The EMS operating profit for the current period was HK\$41 million as compared to HK\$25 million for the corresponding period. The increase was attributable to the higher margins contributed by the high precision engineering contract services provided to the major global brands. It is anticipated that the overall profitability of EMS would further improve as the Group continues to expand such services.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, the Group had total assets of HK\$5,172 million which were financed by total equity of HK\$2,569 million including minority interests of HK\$810 million and total liabilities of HK\$2,603 million. The Group had a current ratio of approximately 1.00 as compared to that of approximately 1.17 at 31 December 2007.

As at 30 June 2008, the Group had HK\$704 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 2008, the Group had HK\$397 million short-term bank borrowings and HK\$657 million bank overdrafts.

The Group had inventories of approximately HK\$314 million as at 30 June 2008 representing a decrease of HK\$151 million compared to that at 31 December 2007.

At the balance sheet date, the Group’s gearing ratio was 26.16% which is calculated based on the Group’s net borrowings of HK\$672 million (calculated as total interest-bearing borrowings less cash and bank balances) divided by the total equity of HK\$2,569 million.

CHARGES ON GROUP ASSETS

At 30 June 2008, certain of the Group's assets with a total net book value of approximately HK\$1,034 million have been pledged to banks to secure banking facilities granted to the Group. Details are set out in note 27 to the condensed financial statements.

TREASURY POLICIES

The Group's major borrowings are in US dollars, Renminbi and HK dollars. All borrowings are based on fixed rates or best lending rates of the underlying currencies. The Group's revenues are mainly in US dollars and major borrowings and payments are in either US dollars, Renminbi or HK dollars. The Group is exposed to currency risk exposure resulted from the fluctuations of Renminbi against the US dollars and HK dollars. The Group has a strong treasury management function and will continue to manage its currency and interest rate exposures.

SIGNIFICANT INVESTMENTS

During 2007, the Group increased its shareholding interests in Sansui Electric Co., Ltd ("SEC") from 30% at 31 December 2006 to 40% at 31 December 2007. Since the Group has gained control over SEC's financial and operating policies, the investment in SEC has since June 2007 been accounted for as a subsidiary. There was no movement in the Group's shareholding interests in SEC during the period under review.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 30 June 2008 was approximately 3,000. The Group remunerated its employees mainly based on 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.

SEGMENT INFORMATION

Details of segment information are set out in note 4 to the condensed financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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	314,857,822*	68.41%
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 314,857,822 ordinary shares in the Company through its wholly owned subsidiary, Barrican Investments Corporation.

SUBSTANTIAL SHAREHOLDERS

(a) Interest in the Company

As at 30 June 2008, 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 was 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 2007 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 2008.

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 2008.

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 2008.

By order of the Board
Christopher W. Ho
Chairman

Hong Kong, 17 September 2008