

Interim Report 2000/2001

INTERIM DIVIDEND

The Directors have resolved not to pay an interim dividend for the six months ended 30th September, 2000.

FINANCIAL REVIEW

The Group's turnover for the six months ended 30th September, 2000 amounted to HK\$96.8 million, representing a decrease of 18% over the corresponding period in the previous year. Loss attributable to shareholders was HK\$853,000 in the period under review. The unsatisfactory performance was attributable to a decrease in turnover and an increase in expenses incurred in development of its additional retail outlets as well as promotion of its new own brandname products.

BUSINESS REVIEW

During the period under review, the retail market sentiment for electronic products in PRC was weak mainly due to the price wars led by local enterprises for some electronic products. In this regard, most of the consumers have been adopting the wait-and-see attitude when purchasing the electronic products. As a result, the Group recorded an overall reduction in sales of various products including DVD players and rear projection television sets. In addition, the worldwide shortage of electronic components has delayed the schedule of the supply of new generation model of DVD players from Samsung, result of which had further adverse impact to the Group's sale performance.

On the other hand, certain resources were utilized to enhance its retail outlets in the major cities of the PRC. The number of its retail outlets has been extended from 14 to a total of 20. Additionally, the Group started to develop and promote its own brandnames – "Jinke" and "Bright Blue" in the first half of the year. In addition to the MP3 players, a series of audio-visual and digital products including, rear projection colour television sets and digital cameras have been launched since November 2000. The market response has been promising.

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LIQUIDITY AND FINANCIAL RESOURCES

Liquidity remained comfortable with current ratio at healthy level of 2.7 times as at 30th September 2000. At the balance sheet, the net bank borrowings in terms of trust receipt loans reduced slightly to HKD17.1 million, compared to HKD19.4 million at 1999/2000 year-end. Capital structure continued to be healthy with gearing ratio of 12%.

At the balance sheet, the Group had bank facilities of HK\$167 million, most of which were trade in nature. The Group believes that the existing bank facilities are adequate to fund its daily operation.

PROSPECTS

After years of rapid expansion, the Group is in the stage of consolidating its existing business. In pursuit of the long-term growth objective, the Group has been focusing on three areas – enhancing the product mix, strengthening its R&D capabilities and developing its own brandname and retail network. In this regard, certain resources have been used or committed to the above investments.

Whilst the above investments will unavoidably affect the profitability of the Group in the short run, the benefits of which have to take time to be realized. The Group believes that these investments will definitely enhance its overall competitive edges and in turn, will be beneficial to the long-term growth of the Group.

PLACING OF SHARES

The Company placed 15 million shares to a number of independent investors at a price of HK\$0.3 per share on 5th December 2000. The placing proceed will be used for the general working capital of the Group, including but not limited to settlement of trust receipt loans.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the six-month period ended 30th September, 2000. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the aforesaid period.

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CODE OF BEST PRACTICE

None of the directors of the Company is aware of information which would indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the six months ended 30th September, 2000 except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

The Audit Committee has reviewed with management this unaudited financial statements, the accounting principles and practices adopted by the Group.

On behalf of the Board

Hung Kam Ming

Chairman

Hong Kong, 20th December 2000