# MANAGEMENT DISCUSSION AND ANALYSIS

## Analysis of Results for the Financial Year 2001

### BUSINESS REVIEW

The turnover of the Group in financial year 2001 amounted to HK$147.7 million. As stated in the Chairperson's statement, the turnover of the Group in financial year 2001 decreased by 56% as compared to last year.

Loss attributable to shareholders in this financial year amounted to HK$45.4 million while a profit of HK$46.8 million was recorded in financial year 2000.

Trading of camcorders and DVD players and its main components was the principal business of the Group during the year. Their aggregate sales amounted to HK$122.3 million representing 83% in sales and a gross profit of HK$6.3 million. The prices of DVD players, particularly for sales in the People's Republic of China (the "PRC"), suffered declines consistent with the general market conditions during the year. The supply of certain key components was also interrupted in the middle of the year thereby adversely affected the production and marketing schedules. The television business mostly related to assembling and distribution of large-sized rear projection colour televisions, generated sales of HK$16.5 million representing 11% in sales but made a gross loss of approximately HK$0.9 million.

### FINANCIAL POSITION

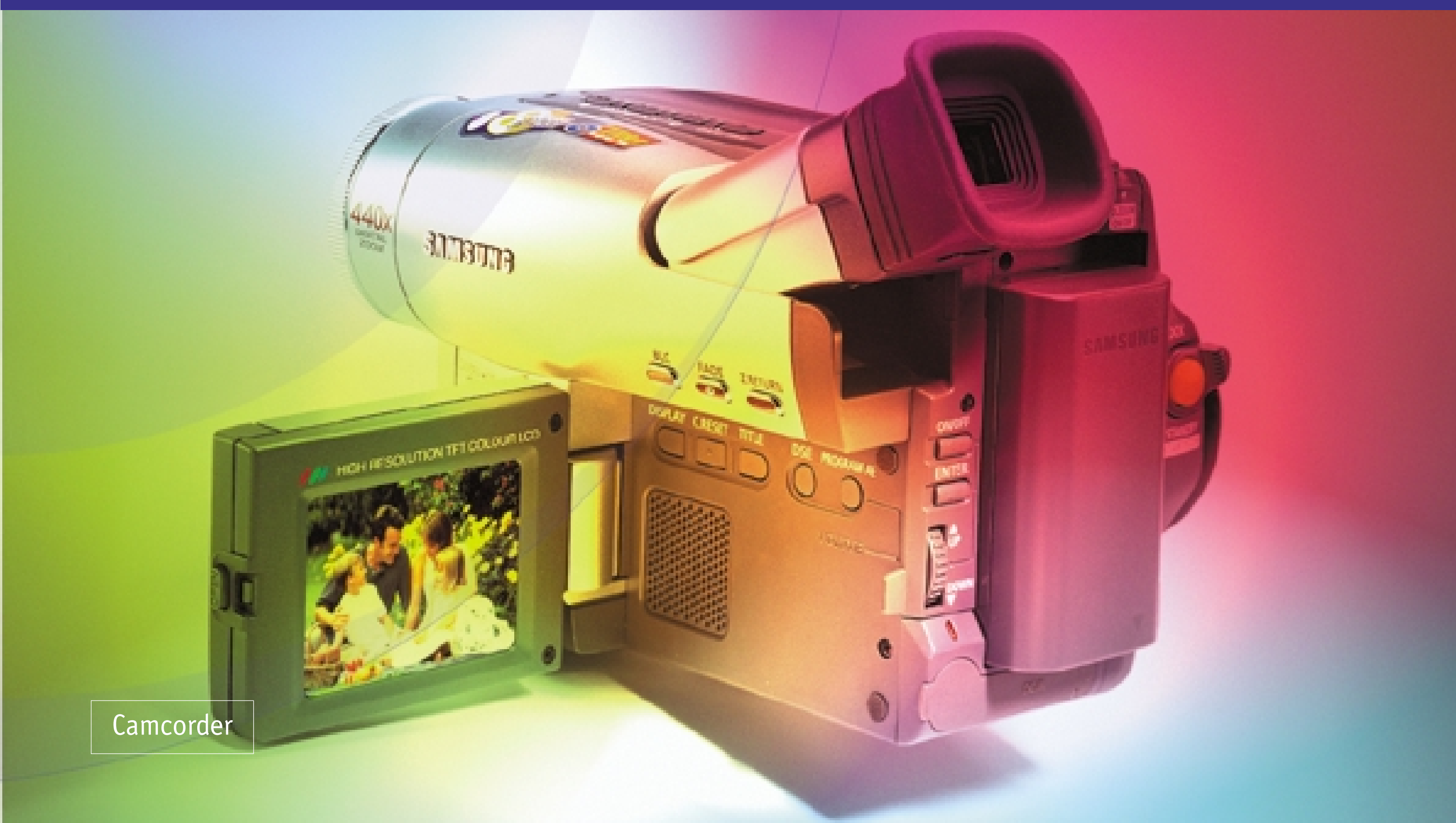
Selling and distribution expenses increased drastically to HK$17.6 million in financial year 2001 as compared to HK$3.0 million in financial year 2000. The increase is mainly attributable to promotional expenses incurred in broadcasting a television series for HK$6.1 million and the write-off of the fixed assets of certain sales centres in the PRC of HK$4.4 million. The Group had commenced to consolidate the retail business in the PRC and closure of certain sales centres with unsatisfactory performance would be considered in the coming months.

Administrative expenses rose substantially from HK$17.3 million to HK$31.2 million. The increase is mainly attributable to HK$2.6 million revaluation deficit in respect of investment properties and leasehold land and buildings and an additional provision for bad and doubtful debts of HK$3 million. Administrative expenses were high at the beginning of the financial year due to the opening of the sales centres in the PRC. These expenses were reduced towards the end of the year as a result of the consolidation of the PRC retail business. At the balance sheet date, inventories stood at HK$4.4 million which was HK$4 million lower than the previous year. The stock turnover period increased from 10 days last year to 16 days this year due to the sluggish demand from customers.

Accounts receivable decreased from HK$142.4 million last year to HK$93.9 million this year due to weakened sales turnover. Debtors' turnover days lengthened considerably from 124 days to 292 days due to poor market conditions in the PRC and sluggish payment by a number of important customers during the financial year 2001. Strenuous efforts were spent in collecting these payments. At 30 June 2001, 71% of the accounts receivable outstanding as at 31st March 2001 had been settled. Nevertheless, an additional provision for bad and doubtful debts of HK$3 million had been made on debts which were incurred over 180 days at the balance sheet date and remained unsettled as at 30 June 2001. The remaining balance consisted of debts which were current and anticipated to be recovered shortly.

At the balance sheet date, net bank borrowings decreased substantially from

Rear Projection TV




Camcorder

HK$65.1 million to HK$48.2 million as the Group's business in the PRC slowed down during the year.

Interest expenses decreased from HK$8.2 million to HK$6.7 million as a result of successive decreases in interest rates since early 2001 and the reduction in bank borrowings.

Shareholders' funds had decreased from HK$154.2 million to HK$112.0 million, as a result of the loss made in the current financial year. In this respect, the gearing ratio ((financial debt – cash) ÷ shareholders' funds) for financial year 2001 was calculated to be 28% as compared to 13% for last year. Same as last year, apart from deferred taxation and hire-purchase contract commitments, the Group did not have any medium to long term liabilities. The Group's current ratio stood comfortably at about 2.5 times as last year.

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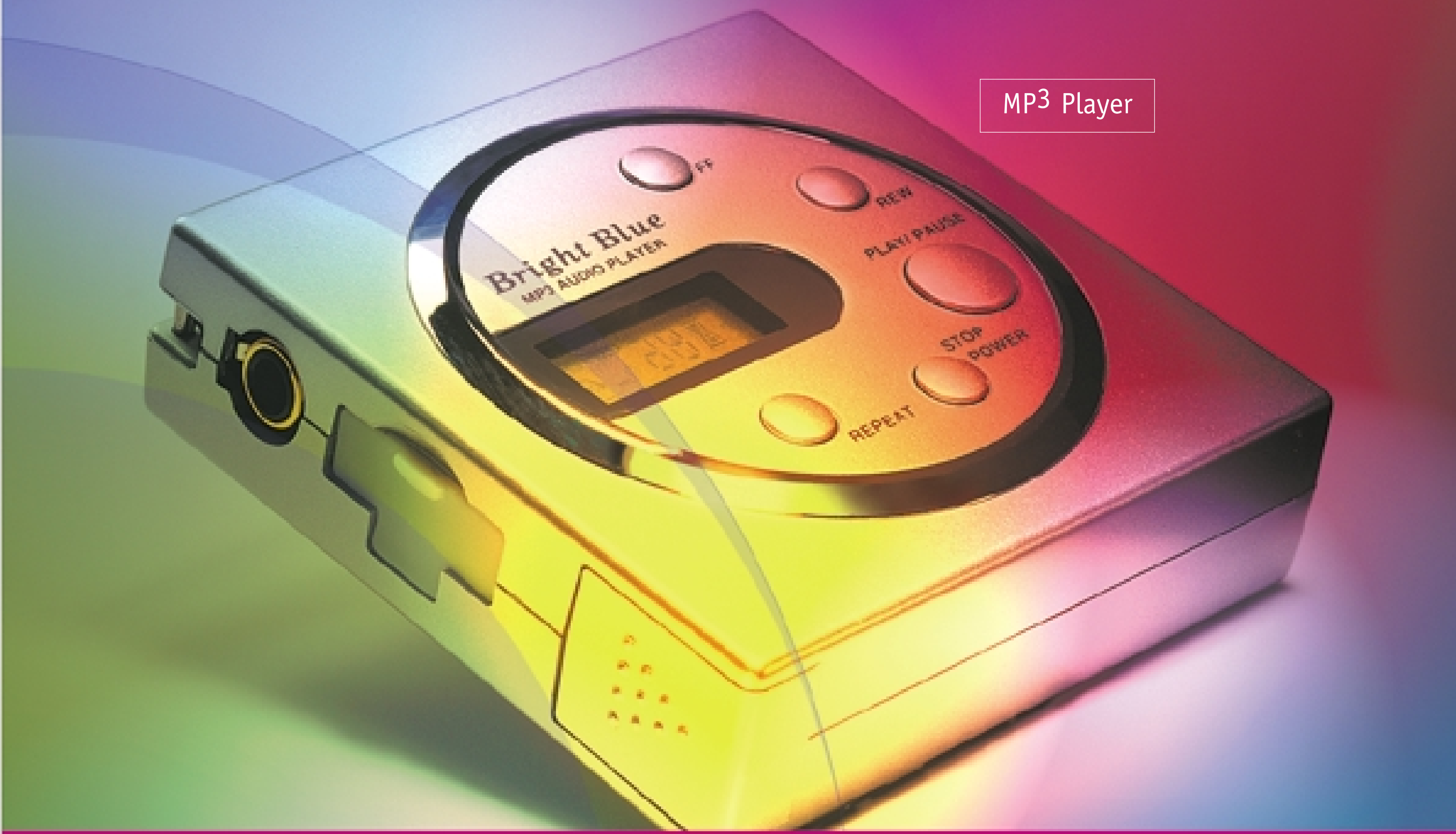
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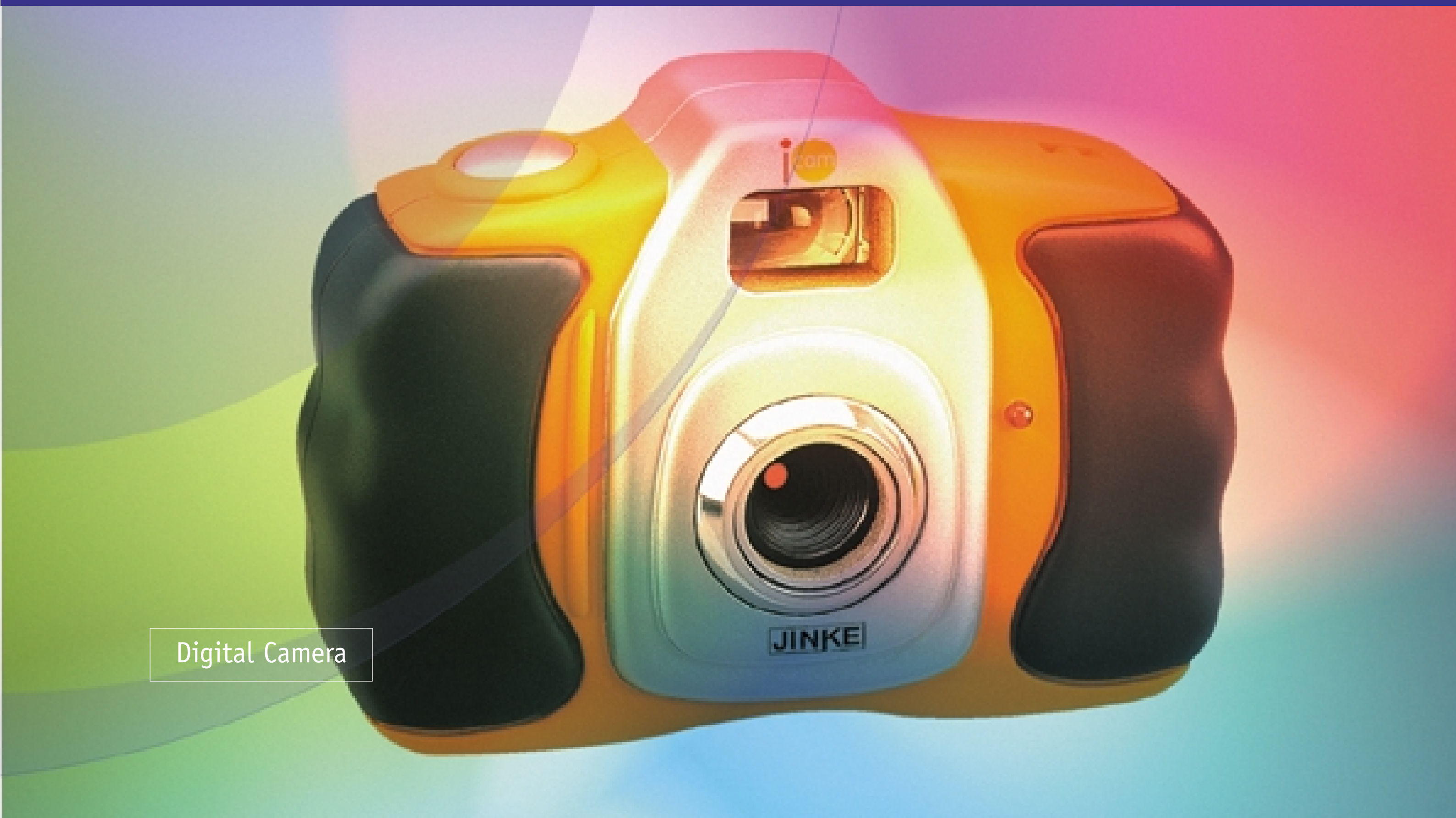
Bright Blue
MP3 AUDIO PLAYER
FF
REW
PLAY/ PAUSE
STOP
POWER
REPEAT


JINKE
Digital Camera