

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 31 December 1999 (1998: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Restructuring of the Group

As a result of the Company's poor financial position, joint and several provisional liquidators of the Company (the "Provisional Liquidators") were appointed on 20 April 2000 and a financial restructuring of the Company was implemented and completed on 27 October 2000. Details of the restructuring are set out in the circular dated 29 September 2000. Upon successful completion of the restructuring, the winding-up petition was withdrawn and the Provisional Liquidators were released and discharged. However, another winding-up petition was submitted by the trustee for the convertible bondholders of the Company on 15 February 2001. As a result, pursuant to the Order of the Supreme Court of Bermuda dated 16 February 2001, the Provisional Liquidators were appointed again on the same date.

On 2 August 2001, the Company entered into a conditional subscription agreement and a conditional restructuring agreement ("Restructuring Agreements") with a new investor, Sourcebase Developments Limited ("Sourcebase"), and with the trustee for the convertible bondholders of the Company respectively. The proposals under the Restructuring Agreements were for debt restructuring involving creditors' schemes of arrangements, subscription of new shares and warrants, whitewash waiver and creeper authorisation and the details are set out in the circular dated 22 October 2001. After the Restructuring Agreements were approved by the independent shareholders at a special general meeting held by the Company on 13 November 2001 and subsequently completed on 10 December 2001, the winding-up petition was withdrawn and the Provisional Liquidators were released and discharged on 10 December 2001.

Incomplete Books and Records

In light of the incomplete books and records maintained by the Group and the lack of supporting documentary evidence relating to the six months ended 31 December 1999, the Directors are unable to represent as to the accuracy and completeness of the information contained in this report which has been prepared according to the best knowledge of the Directors.

Business Review

The main activities of the Group include the distribution of brand name air-conditioning systems, audio-visual products and photographic products as an authorized distributor, trading of other electrical consumer products under various brand names mainly in the People of Republic China ("PRC") and manufacturing of photographic products.

The Group's financial position began to deteriorate following the Asian financial crisis and a severe downturn in air-conditioning sales in its primary PRC market. This caused a substantial deterioration in the Group's available working capital.

Prospects

After the completion of the Restructuring Agreement on 10 December 2001, the creditors' indebtedness due by the Company were released and discharged in its entirety. The Company has sufficient working capital to restore its normal operations. Details of the updated development of the Company can be referred to the interim report for the six months ended 31 December 2001.