

Employees

As at 30th September 2001, the Group had approximately 12,000 employees. The majority of these employees work in Hong Kong and China. Remuneration packages are generally commensurated with individual qualifications and market terms. The Group also provides other benefits including medical insurance, provident fund and education subsidies to all eligible employees.

REVIEW OF OPERATIONS

During the period under review, audio-visual products remained the Group's major source of income. Our existing audio products, such as hi-fi systems utilizing our proprietary 5-disc changer, maintained solid market shares in North America and Europe. OEM customer's demand for car audio products also remained stable, accounting for approximately five per cent of the Group's revenue.

With the aim of broadening our sources of income while capitalizing on the trend for digitized consumer electronic products, the Group diversified into the development of visual products, such as DVD players with built-in amplifiers. Together with our cooperation with large OEM customers, these visual products represent a whole new market level of business opportunities for the Group.

With low-end telecommunication products drifting into obsolescence, consumers globally are enthusiastically turning to the latest high frequency telecommunication products, such as Digital Enhanced Cordless Telecommunications (DECT) technology. Boosted by the launch of DECT in Europe in late 2000, market demand for telecommunication products has remained steady and generated favorable income to us. We are also speeding up the development of a series of 2.4GHz digital cordless phones for a North American market launch in 2002.

By implementing stringent quality controls to ensure minimum defect rates and consistent delivery of the very highest quality products, we have moved significantly closer to our prime quality assurance target of achieving ISO9000: 2000 certification by 2002. A Quality Committee chaired by top management with the participation of all middle and senior management also meet at least monthly to review the Group's quality status.

Our investment over the past year in new Surface Mount Technology (SMT) facilities for the manufacturing of sophisticated electronic products has strengthened our market competitiveness. This new investment in advanced production facilities has helped us to secure orders from a number of OEM clients, as well as to attract interest from potential new customers. We believe our continuous investment in SMT and other advanced automatic production facilities will return an attractive profit margin in the longer term.

We have also committed ourselves to lowering operating costs by reallocation of resources. The Group's Shenzhen office opened in July 2001, its second PRC base after the Dongguan plant. As well as being the site for an R&D center, some of the operations departments from the Group's Hong Kong office have also been moved there. In view of the PRC's lower operating cost, we expect to achieve significant savings from this reorganization. Further savings and increased efficiency have also been achieved by winding down some unprofitable areas of our business operations during the relocation process.

PROSPECTS

The global economy looks set to remain stagnant until at least the first half of 2002, especially after the September 11 incidents. By diversifying product mix and reallocating resources, however, the Group is well placed to maintain its market position despite such global uncertainties.

We also plan to diversify our markets, seeking more outlets in North America and Europe as well as moving into the PRC. Our Shenzhen presence will become a flagship office, exploring the business potential of the PRC market. Furthermore, in response to China's admission to the World Trade Organization, we have taken a first step of setting up a sales team in a major mainland city. These developments, together with our re-allocation of resources to take advantage of economies of scale and reduce operating expenses, make the Group strongly placed to maintain a highly competitive presence in the industry, and forge future growth.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2nd January 2002 to 4th January 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 31st December 2001. Dividend warrants are expected to be despatched on 15th January 2002.

DIRECTORS' INTERESTS IN SHARES

At 30th September 2001, the interests of the directors and chief executive in the shares of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the company under Section 29 of the SDI Ordinance, were as follows:

Name	Number of ordinary shares beneficially held				
	Personal interest	Corporate interest	Family interest	Other interest	Total interest
Mr LEUNG Kai Ching, Kimen	10,000,000	35,356,000 (Note a)	–	–	45,356,000
Mr LEUNG Wai Sing, Wilson	42,400,000	–	170,018,000 (Note b)	–	212,418,000
Mr KUOK Kun Man, Andrew	4,292,000	–	–	–	4,292,000