

PROSPECT

The Board believes that the Group's business will be affected by the deteriorating of the world economy in the short run, and the business turnaround will depend on the its pace of recovery. In the medium term, however, the Board is confident that the Group's wholly foreign-owned enterprise in PRC is fully prepared for expansion in PRC market which will be benefited from the business opportunities created from the entry of PRC into the World Trade Organization.

The Group has several investments in the multi-media industry which include media rights and various production programs. The Group is considering the provision of multi-media facilities and management service in PRC market. Strategic partners are also being considered for the establishment of joint ventures in PRC to prepare for the booming of its market in the near future. The Board will continue to be prudent in investment decisions. Investments that are justified by reasonable yields will be considered.

The Board had established business relationship with a long established world's largest manufacturer of musical instruments and a leading producer of audio and visual products for manufacturing of its wide ranges of products. It is expected to increase the revenue and contribution to the Group in the year 2002, the Board is therefore optimistically foreseeing the future.

LIQUIDITY AND FINANCIAL RESOURCES

The Group is in a healthy financial position. The Group financed its operation with internally generated cash flow and banking facilities. As at 31 October 2001, it has net cash on hand of about HK\$18 million. Finance costs were reduced due to the lowering of interest rate in the period. Certain investment properties with an aggregate carrying value of HK\$2 million and fixed deposit of HK\$15 million were pledged to secure banking facilities granted to the Group.

The Group's gearing ratio (total interest-bearing borrowings over shareholders' funds) was maintained at 10% (2000: 10%) and the current ratio (currents assets over current liabilities) was 216% (2000: 225%).

The Group's transactions are mainly denominated in Hong Kong dollars and United States dollars. As Hong Kong dollars is pegged to United States dollars, the Group's exposure to exchange rate fluctuations is minimal.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 October 2001, the Group employed a total of approximately 2,600 employees. They were remunerated according to market conditions. Employee benefits available for eligible employees included bonus, staff canteen, mandatory provident fund, share option and medical insurance scheme.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the period (2000: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, the Company repurchased and cancelled 19,440,000 ordinary shares of HK\$0.01 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at a price from HK\$0.057 to HK\$0.065 each and at a total consideration of approximately HK\$1,174,000 in September 2001. The premium of HK\$980,000 paid on the repurchase of these shares has been charged against the share premium account and an amount of HK\$194,000 was transferred from the retained profits to the capital redemption reserve, as set out in note 11.