FINANCIAL RESULTS

Dransfield Holdings Limited ("the Group" or "DHL") recorded turnover of HK$213 million for the fiscal year ended 31 March 2001 compared with HK$255 million for the year ended 31 March 2000. The marginal decline in turnover was primarily due to the lack of working capital to support expanded sales and the Group's conservative attitude towards trading with partners with bad debt risks. Net loss from ordinary activities attributable to shareholders was HK$132 million in fiscal 2001 compared to a net profit of HK$2.1 million in fiscal 2000. This translated into a loss per share of HK7.42 cents and earning per share of HK0.15 cents per share, respectively.

The substantial net loss this fiscal year was due to a number of major provisions made by the Group and its associates. A summary of the group's major provisions is provided below:

Provisions on asset impairment:

	2001	2000
	HK$'000	*HK$'000*
Deficits on revaluation of investment properties	**2,500**	–
Provision for diminutions in values of fixed assets	**48,520**	–
Provision for diminutions in values of interests in a jointly–controlled entity	**9,549**	–
Total	**60,569**	–

Share of provision for diminution in value of assets attributable to:

	2001	2000
	HK$'000	*HK$'000*
An associate	**21,095**	–
A jointly-controlled entity	**14,630**	–
Total	**35,725**	–

After excluding the major provisions listed above and the significant gain of HK$40 million in fiscal 2000 from the disposal/dilution of the Group's interest in DFCT, fiscal 2001 operated favorably and is in the right direction.

REVIEW OF OPERATIONS:

Faced with a continued difficult fund raising environment in Hong Kong, the Group has decided to focus its financial and management resources on its businesses that have comparatively better margins and shorter payback periods. Accordingly, the group has decided to focus on the following:

Logistics

With China's entry into the WTO, trade within China and between China and overseas will multiply. Dransfield is solidly positioned to capture the vast opportunities opened up by the explosion of China trade. Our domain expertise in trading Fast Moving Consumer Goods and our custom-built bonded logistics center in the Futian Free Trade Zone in Shenzhen make Dransfield an ideal intermediary.

The Futian logistics center is now fully operational with management in place. And after three years of operation, Dransfield's unique approach to logistics is winning customer acceptance.

Other investments

To focus the Group's financial and management resources on what the Group is best at and to allow its other investments to reach full potential, looking forward, we are seeking to reduce our exposure to our other investments. In so doing, your management will either find a substantial partner(s), dispose, or phase down the Group's other investments to release our invested capital and re-deploy them to our core businesses that have the most promising returns.

Back-office operations

To further improve the Group's long-term competitiveness and profitability, we have now relocated all back-office operations to our Futian logistics center. Savings should be achieved in the coming years.

FUTIAN LOGISTICS CENTER

Turnover at our Futian logistics center has decreased marginally to HK$2,568,000 in fiscal 2001 compared with HK$2,612,000 in fiscal 2000. However, the centre has received rental income in addition to logistic service, we expect to achieve much better results this fiscal year. After months of negotiations, a number of multi-national companies have become our customers since 31 March 2001. These multi-national companies were attracted to Dransfield because we are able to provide them with custom-required services beyond the traditional services of storage and transport of goods. For prudence sake, we have nonetheless made a provision against our investment in Futian.

REVIEW OF OPERATIONS: *(Continued)*

FOOD & BEVERAGE

Turnover from our Food & Beverage group was HK$42.7 million in fiscal 2001 compared with HK$46.2 million in fiscal 2000.

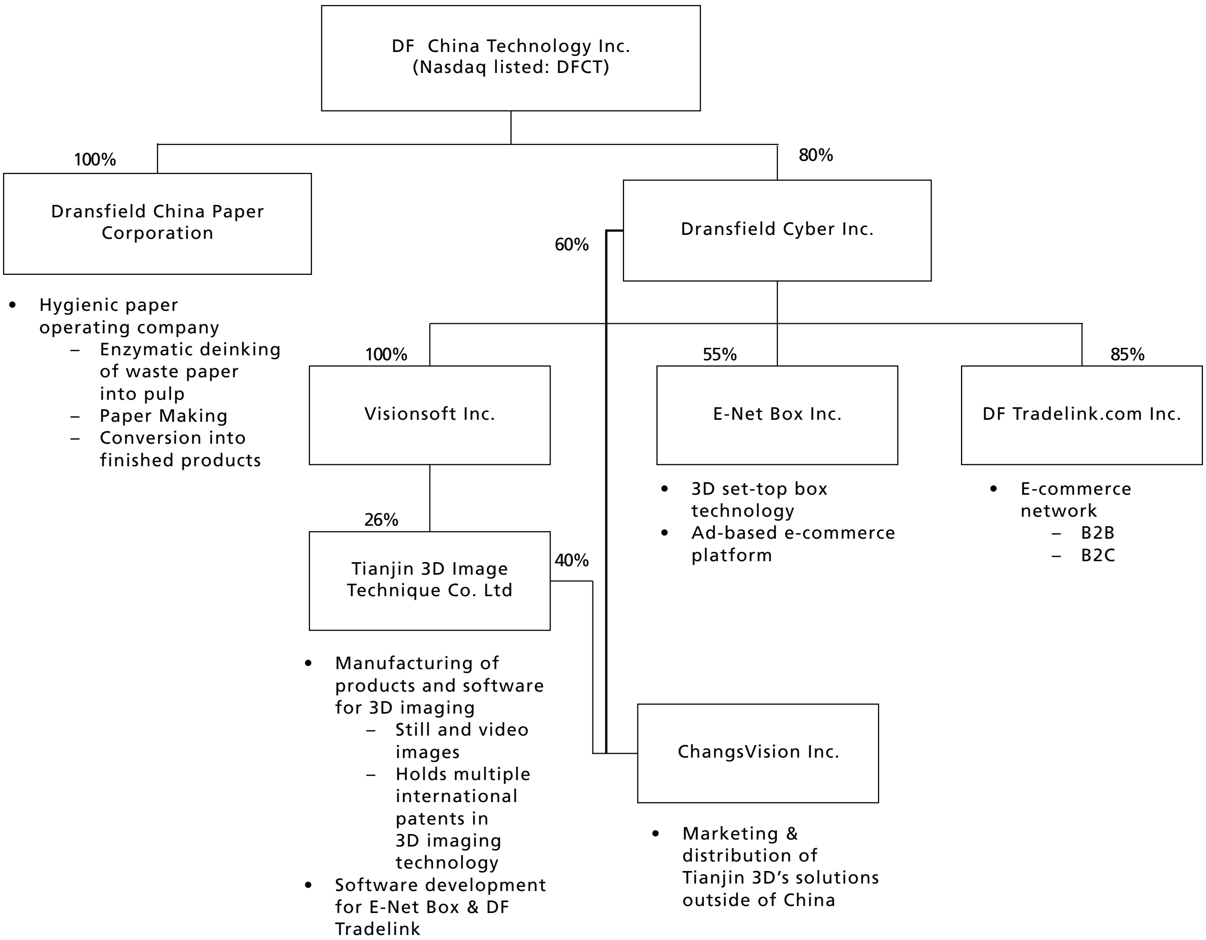
Redruth has continued to focus on developing its brands. Both turnover and margin have improved in fiscal 2001 and Redruth is on its way to reaching profitability.

Our Yixing Brewery suffered from consolidation in China's beer market and price wars launched by the three major local breweries. To gain economies of scale in sales and distribution and operations, the group invited a number of small breweries to join force with Yixing during fiscal 2001. However, despite sincere efforts and general reception of our proposals, we have yet not been able to achieve our intended plans. With China's entry into the WTO, we believe small breweries like Yixing would not be able to compete on its own. It would either have to join force with other small breweries as we have sought to do or be sold to one of the larger breweries. For prudence and to allow the Group's management to focus on its core businesses, we have decided to make significant provisions against our investment in Yixing. Nonetheless, Yixing is still operational and its strategic location in Wuxi with convenient access to Beijing and Shanghai gives the Group a foothold to serve such a strategic region.

The edible oil venture in Shenyang has trimmed its losses since the appointment of a new managing director. The refinery has been leased to an independent third party and all headcount have practically been trimmed. We continue to enjoy, periodically, the allotment of less expensive imported edible oil for sale. However, we expect this allocation to eventually end with China's entry into the WTO. Looking forward, although ours is the only edible oil refinery in Shenyang, we do not believe a single edible oil refinery will produce significant shareholder returns. We would therefore either join forces with other refineries to achieve critical mass to compete against the anticipated competition from imports or dispose of the refinery to a larger player. To be prudent, we have made significant provisions against our investment in Shenyang. That withstanding, we will maintain good working relationships with our partner. This will allow us to maintain access to the North East provinces (Shenyang is the trading capital of the North East provinces) for our trading and logistics businesses.

DF CHINA TECHNOLOGY INC. (NASDAQ: DFCT)

Since last year, the Group has reduced its shareholding in DF China Technology Inc. ("DFCT") to approximately 30%. A summary of DFCT's structure is provided below:



DRANSFIELD CHINA PAPER CORPORATION

DFCT requires approximately US$7 million to complete construction of the de-inking and paper-making operations at its two paper mills in Xinhui, Guangdong province, and Hauxi, Jiangsu province.

In fiscal 2001, DFCT commissioned its conversion facilities at both its paper mills. Turnover has improved, though periodic production hiatuses due to the lack of working capital and the lack of critical mass along our varied product line have impacted margins.

In addition to normal consumer tissue products, the paper group has successfully extended itself to offer a broad range of Away-from-Home products for both the Hong Kong and PRC markets. Furthermore, DFCT has also developed a number of super-premium products for export. Provided working capital is available, DFCT anticipates a soft-launch in the US within the current fiscal year.

DRANSFIELD CHINA PAPER CORPORATION *(Continued)*

Because of DFCT's inability to raise the needed capital to finish its two paper mills since the Asian economic crisis, professional surveyors have conducted a full survey of the asset values of the two unfinished paper mills to identify potential asset impairments. For prudence reasons, DFCT has made significant provisions against its assets. DHL has therefore made appropriate provisions against the decline in value of our investment in DFCT. To complete the paper mills and release significant shareholder value, DFCT's management is now actively seeking a major strategic partner for its paper business.

TIANJIN 3D IMAGE TECHNIQUE INC. ("TIANJIN 3D")

DFCT's investment in Tianjin 3D has yet to achieve significant shareholder return. However, Tianjin 3D's products are patented and are marketed both in China and overseas. We continue to believe in the commercial potential of Tianjin 3D's technology and the technology's application to facilitate our business-to-business ("B2B") and business-to-consumer ("B2C") trade without further investment on our part.

APPAREL SOURCING

Faced with declining margins, increased competition, and in line with our efforts to focus management resources, the Group has successfully disposed of its investment in its apparel business in April 2001.

CONSUMER ELECTRONICS

To further strengthen the service offerings of our logistics business, we have aligned our consumer electronics business with our logistics business. With this, our logistics business will now both provide third-party distribution services and satisfy the Group's internal demands for distribution of consumer electronics, paper-related, and food & beverage products.

PROPERTY HOLDINGS

In light of the downturn in Hong Kong's property market, the Group's bank has taken a very conservative stance towards our mortgage. Therefore, despite receiving good rental yields, in line with the Group's strategy to focus on its core, we are actively seeking to dispose of the Group's properties and restructure the debt on any shortfall. This will allow your management to focus on our core logistics and trading businesses that we believe would provide the most attractive shareholder returns in the near future. And since the Group's growth has been restrained by the shortage of working capital, which has been used to deal with our property mortgage, successful restructuring of our debt and capital injection will spur significant revenue and profit growth.

FUTURE DIRECTION:

China's imminent entry into the WTO creates significant medium and long-term opportunities for Dransfield. WTO and the corresponding opening of wholesale and distribution industries will spur significant growth in trade both within China and between China and overseas. However, China's entry into the WTO creates a unique set of challenges for both foreign companies seeking to enter China and Chinese manufacturers seeking to expand overseas. Our deep and broad experience in facilitating trade, our expertise and credibility in handling consumer markets, and the strategic location of the Futian logistics center uniquely positions Dransfield as an ideal intermediary.

Looking ahead, your management is determined to focus its financial and management resources on our logistics and trading businesses which best leverages Dransfield's core capabilities and allow us to capture the most out of the vast opportunities created by the continued robust growth in China trade. Accordingly, all non-core assets and businesses will orderly be either merged with the respective leaders in their industry or disposed of.