



Results

For the year ended 31 March 2001, the Group's turnover decreased by approximately 23.5% to approximately HK\$54.3 million as compared to the previous financial year. Loss attributable to shareholders amounted approximately HK\$18 million as compared to a profit of approximately HK\$93 million of the previous year. The profit of the previous year was unusual as it resulted from a one time write back of net liabilities attributable to the deconsolidation of certain subsidiaries from the Group's continuing operations.

Business Review

During the year under review, the magnetic media business environment has become increasingly challenging. The Mainland China has become the Group's primary market for floppy disks, following the decline in orders from a major customer in the U.S.A. While developing its own brand and diversifying the range of products in the China market, the Group is making plans to approach potential strategic partners who may be interested in entering China markets. The successful experience in marketing branded floppy disks in China will be a useful leverage with these partners, it is also a sound selling point for the Group to assist customers in promoting corporate image and product branding.

With magnetic media products remaining a major turnover contributor, the Group engaged in a number of strategic development projects for its future growth opportunities. These include property development projects in Pudong, Shanghai, and in Australia, and wine making in Qingdao. These projects are further discussed below.

The residential development project in Pudong, Shanghai made slow progress during the year under review. A previous dispute over land size was settled through arbitration in November 2000. The result of the arbitration is that the Group accepted money and land as compensation for the deficient land size. The construction site, including the compensating land, was granted a new certificate of land use right in May 2001. According to the current situation, it is estimated that the approval of the architectural plan will be granted by the end of this year. The Group has further retained the services of a law firm in Shanghai to enforce the monetary compensation term of the arbitration settlement.

In Australia, the Group has invested in a number of property projects. The residential development in Sydney has completed site earthworks and piling by the first quarter of 2001: this was in accordance with the construction schedule. The work done represented the completion of approximately 7.5% of the whole project, based on the total development costs. It is estimated that the construction permit for building the residential complex on the site will be obtained in the third quarter of 2001.



In May 2000, the Group acquired farming properties with a gross area of approximately 2,098 ha in Western Australia. At the time of purchase, the properties were encumbered by a lease agreement that expired in March 2001. Subsequent to the expiry of the lease agreement, the farming properties were subdivided for sale and for letting. A land area of approximately 550 ha of the farming properties was sold to realise a capital gain, while the remaining area was leased to the previous lessee for another one year. The completion of the sale of the land took place in May 2001.

As noted in the interim report 2000, the Group has considered enhancing the production facilities at its joint venture winery in Qingdao through the installation of additional machinery and equipment. The expansion plan is intended to support the marketing targets to penetrate into the average, regular wine consumer market as well as to capture a larger share in the market of premium and super-premium wines in the future. A number of wine consultants from California have been retained by the Group to review the production facilities and marketing efforts of the winery.

Prospects

Before the strategic development projects can begin to contribute significantly to turnover in the next few years, magnetic media products will remain a major turnover contributor. The Group will continue to capture opportunities in China markets, especially in view of the imminent accession of China to the World Trade Organisation.

China's economic development is expected to grow at the rate of 8% over the next ten years. With the expected growth in such areas as green food and housing, the Group believes that its strategic investment projects in property development and winery will capture opportunities presented by such growth.

In exploring potential business opportunities, the Group will continue to direct its attention to those countries with either robust economic growth or stable investment environment. It is believed that the geographical diversification will counteract cyclical trends in local markets of specific areas.

Appreciation

On behalf of the board of directors, I would like to thank our loyal staff, valuable suppliers and customers, as well as shareholders, for their continued support. I wish to share with all of them our success.

By Order of the Board

CHEONG Swee Kheng

Chairperson

20 July, 2001, Hong Kong