

INTERIM DIVIDEND

The Directors have decided not to declare any interim dividend for the six months ended 30th September 2001 (2000: nil).

BUSINESS REVIEW AND PROSPECTS

The consolidated turnover of the Group for the six months ended 30th September 2001 amounted to HK\$17,784,000, down by approximately 39.8% as compared with the corresponding period last year. Loss for the current period was HK\$5,128,000, slightly improved from the loss of HK\$6,127,000 recorded in the corresponding period last year.

During the period under review, the Group continued its core business in manufacturing and trading of magnetic media products. The general economic condition in Hong Kong and overseas had affected the operating results and financial performance of the Group. Having regard to the global economic climate, the Group had strived to maintain a steady turnover in the Mainland China, which remained the Group's primary market for floppy disks.

Contribution of the property development and investment business to the income and profit of the Group was very modest during the period under review. As the dispute with the vendor was over after the Group had been compensated with money and land for the deficient land size, the Group will speed up the residential development project in the Pudong district in Shanghai. It is believed that the project will be a major driving force for the Group once ignited. The Group is actively exploring options for financing the project.

Ground preparation and piling works for the residential development project in Sydney had been completed. The Group is analyzing the possibility of inviting tender for the construction of the superstructure of the residential complex.

To concentrate the Group's financial resources for developing the more promising projects, the Group disposed of part of the farming properties in Western Australia in June 2001 and recorded a net gain of approximately HK\$536,000. As the residential complex in Sydney is likely to be contracted with outside builders for further development, internal manpower for supervising and monitoring the property development project will be minimized. The two residential units in Sydney acquired for providing accommodation to the Group's expatriate staff will become not necessary. The Group has informed the vendor of its

intention not to proceed with the completion of the transaction for purchasing the two residential units. Such act is not expected to cause any material impact in the current financial year.

The Group's joint venture interests in the winery in Qingdao are gradually increasing through injection of assets comprising brand new production machinery and cash. In October 2001, the Group injected an additional US\$500,000 by cash into the capital of the winery, further increasing its equity interests to above 32%. After that, the Group still has approximately US\$890,000 to contribute so as to acquire a total of 55% interest in the registered capital of the winery. The Group will complete its injection into the capital of the winery within the first half year of 2002. Additional machinery has been procured for delivery in the first quarter of 2002. Cash will be invested to make up the remaining balance of the Group's total investment.

Despite declining rates of growth in world economies, the Mainland China continues to offer opportunities for the Group to strengthen its organization and further develop its presence there. The Group looks to the projects in the Mainland China as businesses that will lead it into the future. The Group will strengthen its efforts to increase its presence in the China market for business growth.

It is crucial to respond to market change through constant review of business performance. As such, operational restructuring will continue with an aim towards turning the Group into profitability. Following the diversification strategy, the Group will be more focused on the various projects acquired before. The Group will aim at capitalizing on those potential projects in the future.

LIQUIDITY AND FINANCIAL RESOURCES

At 30th September 2001, the Group's total shareholders' funds amounted to HK\$163 million, compared with HK\$167 million at 31st March 2001. Total borrowings of the Group including short term and long term interest bearing bank borrowing at 30th September 2001 were HK\$13 million, compared with HK\$17 million at 31st March 2001. Accordingly, the Group's gearing ratio at 30th September 2001 is 8.0%, compared with 10.0% at 31st March 2001. The Group generally finances its operation with internally generated cash flow and banking facilities provided by its principal banker in Hong Kong. The Group's cash and bank balances as at 30th September 2001 amounted to approximately HK\$28 million.