

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover

For the six months ended 30 September 2002, the Group achieved a turnover of HK\$41,317,000, representing an increase of approximately 132% as compared to HK\$17,784,000 for the corresponding period last year. The increase in the Group's turnover was mainly contributed by the property development and investment business.

Profitability

In terms of operating result, the Group achieved improvement over the previous year. However, after making a provision for a one-off compensation payment of HK\$7 million to certain departed directors, the Group recorded a loss of HK\$10.6 million for the six months under review, as compared to the loss of HK\$4.5 million for the same period last year.

Of the loss for the six months period of the current year, the property development and investment business generated profit of about HK\$1 million, as compared to the HK\$1.5 million profit for the same period in the previous year. The magnetic media products business generated a loss of HK\$11.6 million for the current period, as compared to the HK\$6.3 million loss for the same period in the previous year.

Liquidity and Financial Resources

At 30 September 2002, the Group's total shareholders' funds amounted to HK\$140 million, compared with HK\$151 million at 31 March 2002. Total borrowings of the Group, including short term and long term interest bearing bank borrowing, at 30 September 2002 were HK\$9,291,000, compared with HK\$12,817,000 at 31 March 2002. Accordingly, the Group's gearing ratio at 30 September 2002 was 6.6%, compared with 8.5% at 31 March 2002. 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 30 September 2002 amounted to approximately HK\$41 million.

Employee Information

The Group had approximately 230 employees for its operations in Hong Kong and the PRC as at 30 September 2002. Employees are basically remunerated in accordance with the nature of the job, prevailing market trend and their respective performance. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. In addition, training and development courses would also be provided as and when required.

Charges on Group Assets

At 30 September 2002, the Group has pledged certain assets including bank deposits, land and building with an aggregate net book value of HK\$36,061,000 (at 31 March 2002: HK\$38,871,000) to secure the general banking facilities and bank mortgage loans granted to the Group.

INTERIM DIVIDEND

The Directors have decided not to declare any interim dividend for the six months ended 30 September 2002 (2001: nil).

FUTURE PROSPECT

The Group's management will continue to direct its strategy to developing the PRC markets. The PRC is one of the few countries that have sustained growth amid the slumping global economies. With its remarkable growth resulting in an increasing size of the middle-class population, management believes that this segment of the population will fuel the demands for the Group's products in the future. In the coming year, management will continue to explore new opportunities in the PRC.