

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of accessories for photographic, electrical and multimedia products, property investment and development.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has resulted in the presentation of the statement of changes in equity and a change in the format of presentation of cash flow statement.

Foreign currencies

The revisions to SSAP 11 "Foreign currency translation" have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the year. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiary is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash flow statements". Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest received and interest and dividends paid, which were previously presented under a separate heading, are classified as investing and financing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flow of overseas subsidiaries have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

Employee benefits

In the current year, the Group has adopted SSAP 34 "Employee benefits", which introduces measurement rules for employee benefits, including retirement benefit plans.

Besides, the standard has introduced additional disclosure requirements which have been adopted in these financial statements. The adoption of SSAP 34 has had no material impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition, or up to the effective date of disposal, as appropriate.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisition of subsidiaries prior to 1st April, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

Commission income is recognised when services are rendered.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged as expenses. Where a deficit has previously been charged as expenses and a revaluation surplus subsequently arises, this surplus is credited as income to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease or the term of the joint venture to which the investment properties are held is twenty years or less.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation, amortisation and accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of property, plant and equipment, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land	Over the remaining terms of the leases
Buildings	Over the estimated useful lives of 50 years or the terms of the leases or the term of the relevant joint venture by which the buildings are held, whichever is the shorter
Leasehold improvements	15% or the terms of the leases, if shorter
Furniture, fixtures and equipment	15%
Plant and machinery	20%
Motor vehicles	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in the net profit or loss for the year.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Operating leases

Rentals payable under operating leases are charged as expenses on a straight-line basis over the respective lease terms.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the net profit or loss for the year.

On consolidation, the assets and liabilities of subsidiaries which are denominated in currencies other than Hong Kong dollars and which operate in the People's Republic of China ("PRC") and overseas are translated into Hong Kong dollars at the rates prevailing on the balance sheet date. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Retirement benefits cost

The amount of contributions payable to the retirement benefits schemes is charged as expenses.

4. SEGMENTS INFORMATION

Business segments

For management purposes, the Group is currently organised into two operating divisions - manufacture and sales of goods and property investment and development (i.e. rental of properties). These divisions are the basis on which the Group reports its primary segment information.

4. SEGMENTS INFORMATION *(Continued)*

Business segments *(Continued)*

Segment information about these businesses is presented below:

2003

	Manufacture and sales of goods HK\$	Property investment and development HK\$	Consolidated HK\$
TURNOVER	182,310,316	4,396,383	186,706,699
<hr/>			
RESULT			
Segment profit	18,131,805	3,092,461	21,224,266
<hr/>			
Unallocated other operating income			1,259,332
Unallocated corporate expenses			(285,317)
<hr/>			
Profit from operations			22,198,281
Finance costs			(703,430)
<hr/>			
Profit before taxation			21,494,851
Taxation			(10,510,977)
<hr/>			
Profit before minority interests			10,983,874
Minority interests			(118,536)
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Net profit for the year			10,865,338
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4. SEGMENTS INFORMATION (Continued)

Business segments (Continued)

2003

BALANCE SHEET

	Manufacture and sales of goods HK\$	Property investment and development HK\$	Consolidated HK\$
ASSETS			
Segment assets	77,166,660	95,867,585	173,034,245
Unallocated corporate assets			62,409,011
Consolidated total assets			235,443,256
LIABILITIES			
Segment liabilities	18,901,975	455,375	19,357,350
Unallocated corporate liabilities			53,788,488
Consolidated total liabilities			73,145,838

OTHER INFORMATION

	Manufacture and sales of goods HK\$	Property investment and development HK\$	Unallocated HK\$	Consolidated HK\$
Allowance for doubtful debts	2,290,009	1,000,000	–	3,290,009
Amortisation of goodwill	1,083,387	–	–	1,083,387
Capital expenditure	2,580,850	917,667	21,653,033	25,151,550
Depreciation and amortisation of property, plant and equipment and investment properties	2,495,533	1,273,015	741,323	4,509,871
Loss on disposal of property, plant and equipment	49,925	–	–	49,925
Surplus arising on revaluation of investment properties	–	344,350	–	344,350

4. SEGMENTS INFORMATION *(Continued)*

Business segments *(Continued)*

2002

BALANCE SHEET

	Manufacture and sales of goods <i>HK\$</i>	Property investment and development <i>HK\$</i>	Consolidated <i>HK\$</i>
TURNOVER	162,283,590	4,055,355	166,338,945
<hr/>			
RESULT			
Segment profit	13,209,035	2,054,466	15,263,501
<hr/>			
Unallocated other operating income			2,341,969
Unallocated corporate expenses			(2,512,063)
<hr/>			
Profit from operations			15,093,407
Finance costs			(124,990)
<hr/>			
Profit before taxation			14,968,417
Taxation			(338,619)
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Profit before minority interests			14,629,798
Minority interests			(1,185,410)
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Net profit for the year			13,444,388
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4. SEGMENTS INFORMATION (Continued)

Business segments (Continued)

2002

BALANCE SHEET

	Manufacture and sales of goods HK\$	Property investment and development HK\$	Consolidated HK\$
ASSETS			
Segment assets	81,610,453	66,252,204	147,862,657
Unallocated corporate assets			42,495,642
Consolidated total assets			190,358,299
LIABILITIES			
Segment liabilities	15,278,333	165,797	15,444,130
Unallocated corporate liabilities			19,360,624
Consolidated total liabilities			34,804,754

OTHER INFORMATION

	Manufacture and sales of goods HK\$	Property investment and development HK\$	Unallocated HK\$	Consolidated HK\$
Allowance for doubtful debts	773,000	–	–	773,000
Amortisation of goodwill	541,694	–	–	541,694
Capital expenditure	4,176,735	7,916,110	945,662	13,038,507
Deficit arising on revaluation of investment properties	–	81,470	–	81,470
Loss on disposal of property, plant and equipment	65,434	–	–	65,434
Depreciation and amortisation of property, plant and equipment and investment properties	3,363,221	1,210,215	–	4,573,436

4. SEGMENTS INFORMATION *(Continued)*

Geographical segments

The Group's sales of goods are principally carried out in Europe, United States of America, Hong Kong and other regions in the PRC. Property investment and development is carried out in Hong Kong and other regions in the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Revenue by		Contribution	
	geographical market		to profit	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Europe	107,374,493	98,130,085	11,238,526	7,987,275
United States of America	29,126,662	18,412,189	3,048,589	1,421,859
Hong Kong	23,822,955	24,736,161	1,500,340	1,183,550
Other regions in the PRC	4,376,624	5,870,613	3,133,521	3,108,859
Others	22,005,965	19,189,897	2,303,290	1,561,958
	186,706,699	166,338,945	21,224,266	15,263,501
Unallocated other operating income			1,259,332	2,341,969
Unallocated corporate expenses			(285,317)	(2,512,063)
Profit from operations			22,198,281	15,093,407

4. SEGMENTS INFORMATION (Continued)

Geographical segments (Continued)

The following is an analysis of the carrying amount of segment assets, additions to investment properties and property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to investment properties		Additions to property, plant and equipment	
	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Europe	24,834	24,834	–	–	–	–
Hong Kong	199,598,006	155,571,011	455,650	7,665,000	23,954,439	5,159,257
Other regions in the PRC	35,820,416	34,762,454	–	–	741,461	214,250
	235,443,256	190,358,299	455,650	7,665,000	24,695,900	5,373,507

5. OTHER OPERATING INCOME

	2003 HK\$	2002 HK\$
Bank interest income	112,459	499,213
Other interest income	2,621,957	1,742,756
Sundry income	224,780	341,833
	2,959,196	2,583,802

6. PROFIT FROM OPERATIONS

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Profit from operations has been arrived at after charging:		
Allowance for doubtful debts		
– trade and other debtors	2,290,009	–
– loans receivable	1,000,000	773,000
Amortisation of goodwill included in administrative expenses	1,083,387	541,694
Auditors' remuneration		
– Current year	610,280	619,626
– Underprovision in prior years	50,000	80,000
Depreciation and amortisation of property, plant and equipment and investment properties	4,509,871	4,573,456
Loss on disposal of property, plant and equipment	49,925	65,434
Minimum lease payments for operating leases in respect of		
– rented premises	2,198,916	2,118,948
– plant and machinery	–	46,656
Staff costs including directors' emoluments and contributions to retirement benefits schemes	28,046,919	26,716,993
and after crediting:		
Gross rental income from investment properties	4,396,383	4,055,355
Less: Outgoings	(904,132)	(932,556)
	3,492,251	3,122,799

7. FINANCE COSTS

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Interest on:		
Bank borrowings wholly repayable within five years	546,223	124,990
Bank borrowings not wholly repayable within five years	157,207	–
	703,430	124,990

8. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

Directors' emoluments

The directors' emoluments are analysed as follows:

	2003 HK\$	2002 HK\$
Fees:		
Executive	–	–
Independent non-executive	200,000	191,667
	200,000	191,667
Other emoluments paid to executive directors:		
Salaries and other benefits	3,891,500	3,638,500
Contributions to retirement benefits schemes	24,000	24,000
Rentals paid in respect of quarters provided	43,111	33,759
Total directors' emoluments	3,958,611	3,887,926

The emoluments were within the following bands:

	No. of directors	
	2003	2002
Nil to HK\$1,000,000	5	6
HK\$1,000,001 to HK\$1,500,000	2	2
	7	8

8. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES (Continued)

Highest paid employees

The five highest paid individuals of the Group included two (2002: two) executive directors, details of whose emoluments are set out above. The emoluments of the remaining three (2002: three) highest paid individuals, other than directors of the Company, are as follows:

	2003	2002
	HK\$	HK\$
Salaries and other benefits	1,829,292	1,702,833
Contributions to retirement benefits schemes	24,000	24,000
Rentals paid in respect of quarters provided	537,200	547,200
	2,390,492	2,274,033

The emoluments were within the following bands:

	No. of employees	
	2003	2002
Nil to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	1	–
	3	3

9. TAXATION

	2003	2002
	HK\$	HK\$
The charge comprises:		
Hong Kong Profits Tax	10,482,940	257,418
Other jurisdictions	28,037	81,201
	10,510,977	338,619

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. TAXATION (Continued)

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. One of the subsidiaries is in its second profit-making year.

On 16th February, 2001, the Inland Revenue Department ("IRD") commenced a review on the accounting records of certain subsidiaries of the Company. As at the date of approval of the Company's financial statements, the IRD had issued notice of assessments or additional assessments to certain of the subsidiaries of the Group regarding offshore income claims made by these subsidiaries of the Group. The Group has filed objections to these assessments. Depending on the outcome of the final assessments, the Group may be subject to additional tax. In this connection, management believes that the Group has made an adequate provision for the potential additional tax liabilities.

Details of unrecognised deferred taxation are set out in note 25.

10. DIVIDEND PAID

On 5th September, 2002, a dividend of 1 cent (2001: 2 cents) per share amounting to HK\$4,240,001 (2001: HK\$8,480,002) was paid to shareholders as the final dividend in respect of 2002.

No dividend was paid or proposed during the year ended 31st March, 2003, nor has any dividend been proposed since the balance sheet date (2002: HK\$4,240,001).

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

	2003	2002
	HK\$	HK\$
Earnings for the purposes of basic and diluted earnings per share	10,865,338	13,444,388
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	424,000,100	424,000,100
Effect of dilutive share options	N/A	1,582,973
Weighted average number of ordinary shares for the purpose of diluted earnings per share		
	N/A	425,583,073

No diluted earnings per share has been presented for the year ended 31st March, 2003 as there is no share options outstanding during the year.

12. INVESTMENT PROPERTIES

	2003 HK\$	2002 HK\$
VALUATION		
At beginning of the year	53,810,000	47,050,000
Additions	455,650	7,665,000
Deficit on revaluation	(530,650)	(905,000)
At end of the year	53,735,000	53,810,000
DEPRECIATION AND AMORTISATION		
Provided for the year	875,000	823,530
Eliminated on revaluation	(875,000)	(823,530)
At end of the year	–	–
NET BOOK VALUES		
At end of the year	53,735,000	53,810,000
At beginning of the year	53,810,000	47,050,000

The net book values of the Group's investment properties at 31st March, 2003 are analysed as follows:

	2003 HK\$	2002 HK\$
Situated in Hong Kong held under long leases	12,145,000	12,060,000
Situated in Hong Kong held under medium-term leases	27,650,000	27,800,000
Situated in the PRC held under medium-term leases	13,940,000	13,950,000
	53,735,000	53,810,000

The investment properties were leased out for rental purposes under operating leases. The investment properties situated in Hong Kong and the PRC were revalued at 31st March, 2003 by Chung, Chan & Associates, Chartered Surveyors, on an open market value basis. The net surplus arising on revaluation of HK\$344,350 (2002: deficit of HK\$81,470) has been credited as income (2002: charged as expense).

Details of the investment properties are set out on page 56.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$</i>	Leasehold improvements <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Plant and machinery <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP						
COST						
At 1st April, 2002	44,974,642	4,617,106	2,972,531	19,403,408	4,494,786	76,462,473
Additions	21,644,851	352,086	724,700	1,204,021	770,242	24,695,900
Disposals	–	–	–	–	(112,279)	(112,279)
At 31st March, 2003	66,619,493	4,969,192	3,697,231	20,607,429	5,152,749	101,046,094
DEPRECIATION AND AMORTISATION						
At 1st April, 2002	11,137,278	2,445,061	2,206,281	18,264,841	3,791,526	37,844,987
Provided for the year	1,644,710	657,492	285,905	684,052	362,712	3,634,871
Eliminated on disposals	–	–	–	–	(48,654)	(48,654)
At 31st March, 2003	12,781,988	3,102,553	2,492,186	18,948,893	4,105,584	41,431,204
NET BOOK VALUES						
At 31st March, 2003	53,837,505	1,866,639	1,205,045	1,658,536	1,047,165	59,614,890
At 31st March, 2002	33,837,364	2,172,045	766,250	1,138,567	703,260	38,617,486
The net book values of the Group's leasehold land and buildings at 31st March, 2003 are analysed as follows:						
	2003	2002				
	<i>HK\$</i>	<i>HK\$</i>				
Situated in Hong Kong held under long leases	13,271,768	12,557,714				
Situated in Hong Kong held under medium-term leases	30,037,596	9,108,497				
Situated in other regions in the PRC held under medium-term leases	10,528,141	12,171,153				
	53,837,505	33,837,364				

14. GOODWILL

	2003	2002
	HK\$	HK\$
GROSS AMOUNT		
At beginning of the year	10,833,870	–
Additions	–	10,833,870
At end of the year	10,833,870	10,833,870
AMORTISATION		
At beginning of the year	541,694	–
Amortised for the year	1,083,387	541,694
At end of the year	1,625,081	541,694
CARRYING AMOUNTS		
At end of the year	9,208,789	10,292,176
At beginning of the year	10,292,176	–

Goodwill is amortised over its estimated useful life of 10 years.

15. DEPOSITS PAID

	THE GROUP	
	2003 HK\$	2002 HK\$
Deposit for acquisition of a property	–	5,926,920
Deposit for acquisition of an interest in a property development project (<i>note</i>)	6,000,000	6,000,000
	6,000,000	11,926,920
Less: amounts due within one year shown under other debtors and prepayment	(6,000,000)	(6,000,000)
	–	5,926,920

Note: Pursuant to an agreement (the “Agreement”) signed between the Group and a company in the PRC (the “Vendor”) on 1st December, 2000, the Group agreed to acquire 19% interest in a property development project of the Vendor for a consideration of HK\$6,000,000. Under the Agreement, the Vendor has the right to repurchase the 19% interest within 15 months from the date of the Agreement at HK\$6,000,000 plus interest at a rate of 10% per annum calculated from the date of payment of the deposit. Pursuant to a termination agreement signed between the Group and the Vendor, the Vendor agreed to repay the consideration of HK\$6,000,000 plus interest at a rate of 10% per annum. The amount is wholly repayable within one year.

16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$	2002 HK\$
Unlisted shares, at cost	89,260,976	89,260,976
Less: impairment loss	(45,000,000)	(45,000,000)
	44,260,976	44,260,976
Amounts due from subsidiaries	110,185,870	110,185,870
	154,446,846	154,446,846

In the opinion of the directors, the amounts due from subsidiaries are not repayable in the next twelve months period and, accordingly, the amounts are classified as non-current.

Particulars of the subsidiaries at 31st March, 2003 are set out in note 33.

17. INVENTORIES

	THE GROUP	
	2003	2002
	HK\$	HK\$
Raw materials	5,163,029	5,836,521
Work in progress	767,928	829,934
Finished goods	2,226,970	2,723,584
	8,157,927	9,390,039

Included above are raw materials of HK\$322,886 (2002: HK\$253,507) which are carried at net realisable value.

18. TRADE DEBTORS

	THE GROUP	
	2003	2002
	HK\$	HK\$
Aged analysis of trade debtors:		
Within 60 days	22,612,618	12,116,070
61 – 180 days	5,234,705	5,166,628
More than 180 days	2,234,350	3,461,011
	30,081,673	20,743,709

The Group allowed a credit period ranging from 30 days to 60 days to its trade customers.

19. LOANS RECEIVABLE

	THE GROUP	
	2003	2002
	HK\$	HK\$
Loans advanced for property development projects (<i>note a</i>)	32,960,000	–
Other loan (<i>note b</i>)	550,000	1,500,000
	33,510,000	1,500,000

Notes:

- (a) During the year, loans were advanced for property development projects as follows:
- (i) Pursuant to various agreements signed between the Group and various companies in the PRC (the “Borrower”) on 15th June, 2002 (the date of first advance) and subsequent dates, the Group advanced totalling HK\$20,960,000 to the Borrower for property development purpose. The loan is unsecured and is wholly repayable within one year. The Group is entitled to a return of HK\$8,000,000 or properties equivalent to the amount, subject to the Group’s decision, upon the repayment of the advance.
 - (ii) Pursuant to an agreement signed between the Group and an individual in the PRC on 15th November, 2002, the Group advanced an amount of HK\$12,000,000 to the individual for project development purpose. The loan is unsecured and repayable within one year. The Group is entitled to a 40% equity interest of the property project under financing by the Group, or, a return of HK\$4,800,000 in cash, or properties equivalent to the amount, subject to the Group’s decision, upon repayment of the advance.
- (b) The other loan is secured by the borrower’s land and buildings and is repayable within one year.

20. TRADE CREDITORS

	THE GROUP	
	2003	2002
	HK\$	HK\$
Aged analysis of trade creditors:		
Within 60 days	10,109,720	7,543,294
61 – 180 days	222,145	76,357
More than 180 days	4,491	22,758
	10,336,356	7,642,409

21. BANK BORROWINGS

	THE GROUP	
	2003	2002
	HK\$	HK\$
Bank borrowings comprise the following:		
Bank overdrafts – unsecured	357,123	330,636
Bank loans – secured	32,559,681	6,035,143
	32,916,804	6,365,779

The bank borrowings are repayable as follows:

Within one year	22,825,804	5,878,477
More than one year and not more than two years	1,524,000	487,302
More than two years and not more than five years	4,572,000	–
More than five years	3,995,000	–
	32,916,804	6,365,779
Amounts due within one year shown under current liabilities	(22,825,804)	(5,878,477)
Amounts due after one year	10,091,000	487,302

22. SHARE CAPITAL

	Number of shares		Amounts	
	2003	2002	2003	2002
			HK\$	HK\$
Ordinary shares of HK\$0.10 each:				
Authorised:				
At beginning and end of the year	1,000,000,000	1,000,000,000	100,000,000	100,000,000
Issued and fully paid:				
At beginning and end of the year	424,000,100	424,000,100	42,400,010	42,400,010

23. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme (the "Scheme") adopted on 5th September, 1997, for the primary purpose of providing incentive to directors and eligible employees, and which will expire 10 years after the date of adoption, the board of directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the options or the nominal value of the shares, whichever is the higher.

The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) under the Scheme shall not, when aggregated with any shares subject to any other schemes, exceed such number of shares as shall represent 10% of the nominal amount of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to any one employee cannot exceed 25% of the maximum number of shares in respect of which options may be granted under the Scheme. Upon acceptance of option, the grantee shall pay HK\$10 to the Company by way of consideration of the grant. An option may be exercised at any time during the three year period commencing six months after the date on which the option is accepted.

The options granted previously under the Scheme to subscribe for a total of 20,000,000 ordinary shares of HK\$0.10 each at an initial subscription price of HK\$0.241 per share exercisable from 16th August, 1998 to 15th August, 2001 were lapsed during the year ended 31st March, 2002. No share option was granted or exercised during the two years ended 31st March, 2003 and there is no share option outstanding as at 31st March, 2003.

24. RESERVES

	Share premium <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
THE COMPANY				
At 1st April, 2002	66,672,487	89,160,976	(40,383,824)	115,449,639
Net loss for the year	–	–	(2,789,262)	(2,789,262)
Dividend paid	–	(8,480,002)	–	(8,480,002)
At 31st March, 2002	66,672,487	80,680,974	(43,173,086)	104,180,375
Net profit for the year	–	–	2,550,426	2,550,426
Dividend paid	–	(4,240,001)	–	(4,240,001)
At 31st March, 2003	66,672,487	76,440,973	(40,622,660)	102,490,800

24. RESERVES *(Continued)*

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the Company's subsidiary at the date on which the group reorganisation became effective and the nominal amount of the share capital of the Company issued under the group reorganisation on 5th September, 1997.

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, at the balance sheet date, the Company's reserves available for distribution to the shareholders were as follows:

	2003	2002
	HK\$	HK\$
Contributed surplus	76,440,973	80,680,974
Accumulated losses	(40,622,660)	(43,173,086)
	35,818,313	37,507,888

25. UNRECOGNISED DEFERRED TAXATION

At the balance sheet date, the Group had a deferred tax asset of HK\$3,154,000 (2002: HK\$1,735,000) which has not been recognised in the financial statements as realisation of this asset in the foreseeable future is uncertain. The major components of the unrecognised deferred tax asset are as follows:

	2003	2002
	HK\$	HK\$
Tax effect of timing differences because of:		
Shortfall of tax allowances over depreciation	1,802,000	608,000
Tax losses	844,000	619,000
Impairment loss of leasehold land and building	508,000	508,000
	3,154,000	1,735,000

The amount of unrecognised deferred tax credit for the year is as follows:

	2003	2002
	HK\$	HK\$
Tax effect of timing differences because of:		
Shortfall of tax allowances over depreciation	1,194,000	1,674,000
Tax loss arising	225,000	238,000
	1,419,000	1,912,000

Deferred taxation has also not been provided on the revaluation surplus arising on the valuation of investment properties as upon the disposal of these assets, the portion of profits realised from such valuation surplus would not be subject to taxation. Accordingly, the valuation does not constitute a timing difference for tax purpose.

26. RETIREMENT BENEFIT SCHEME

Prior to 1st December, 2000, the Group operated a defined contribution retirement benefit scheme (“Defined Contribution Scheme”) for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there are employees who leave the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group.

Effective from 1st December, 2000, the Group has joined a Mandatory Provident Fund scheme (“MPF Scheme”) for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to contribute 5% of the employees’ monthly remunerations or HK\$1,000 per month whichever is the smaller to the MPF Scheme. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the Defined Contribution Scheme and the MPF Scheme charged to the income statement represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

During the year, the Group made retirement benefits scheme contributions of HK\$560,434 (2002: HK\$415,117) after forfeited contributions utilised in the Defined Contribution Scheme of HK\$115,858 (2002: Nil).

As at 31st March, 2003 and 2002, there were no amount of forfeited contributions, which arose upon employees leaving the scheme and which are available to reduce the contributions payable by the Group in the future years.

27. CAPITAL COMMITMENTS

	2003	2002
	HK\$	HK\$
THE GROUP		
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	–	14,187,221

THE COMPANY

The Company did not have any significant capital commitment at the balance sheet date.

28. OPERATING LEASE ARRANGEMENTS

THE GROUP

The Group as lessee:

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of land and building which fall due as follows:

	THE GROUP	
	2003	2002
	HK\$	HK\$
Within one year	1,223,213	1,410,793
In the second to fifth year inclusive	3,271,760	4,156,896
Over five years	–	416,760
	4,494,973	5,984,449

Leases are negotiated for terms ranging from one to six years.

28. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessor:

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2003	2002
	HK\$	HK\$
Within one year	3,658,684	3,109,185
In the second to fifth year inclusive	8,217,014	8,372,434
Over five years	6,343,776	8,365,854
	18,219,474	19,847,473

Leases are negotiated for terms ranging from one to eleven years.

THE COMPANY

The Company did not have any operating lease commitments at the balance sheet date.

29. CONTINGENT LIABILITIES

THE GROUP

At the balance sheet date, the Group had contingent liabilities of HK\$1,384,527 (2002: HK\$5,902,118) in respect of bills discounted with recourse.

THE COMPANY

At the balance sheet date, the Company provided corporate guarantees of approximately HK\$73,000,000 (2002: HK\$43,770,000) to banks to secure general banking facilities granted to subsidiaries. The total amount of facilities utilised by the subsidiaries at the balance sheet date amounted to approximately HK\$32,917,000 (2002: HK\$6,366,000).

30. RELATED PARTY TRANSACTIONS

During the year, the following related party transactions took place:

(i) Transactions with directors' related companies:

Name of party	Directors' interest	Nature of transactions	2003	2002
			HK\$	HK\$
Dawnvast Ltd.	Mr. Cheng Lok Hing Mr. Cheng Chun Kit	Rental expense	369,600	369,600
Techford Development Ltd.	Ms. Chan Oi Ling, Maria Olimpia	Rental expense	156,000	156,000
Wing Nin Trading Co. Ltd.	Family member of Ms. Chan Oi Ling, Maria Olimpia	Rental expense	240,000	240,000

(ii) Transactions with minority shareholders:

Name of party	Nature of transactions	2003	2002
		HK\$	HK\$
東莞市橋光實業集團公司 Dongguan City Qiao Guang Industrial Group Company	Rental expenses	967,270	999,514
惠州市益發光學機電有限公司	Management fee expenses	57,233	90,144

In addition to the above, during the year ended 31st March, 2002, the Group acquired a further 49% interest in March Professional Bags Company Limited from a minority shareholder, Ms. Ho Lai Yin, at a consideration of HK\$12,000,000.

Rental expenses represent amounts agreed with reference to the market rate between the respective management of the companies concerned.

Management fee expenses were carried out at terms mutually agreed by both parties.

31. PLEDGE OF ASSETS

The Group had pledged its investment properties and leasehold land and buildings with carrying value of HK\$41,590,000 (2002: HK\$27,800,000) and HK\$35,943,995 (2002: HK\$5,545,531) respectively to banks to secure banking facilities granted to the Group.

32. LITIGATION

Pursuant to a factoring agreement made among Mee Lee Shing Plastic Factory Limited ("MLS") as vendor, Mr. Cheang ("Cheang") as purchaser and Mascotte Industrial Associates (Hong Kong) Limited ("MIA"), a wholly owned subsidiary of the Company, as trustee for Cheang dated 25th August, 1999 and an assignment of debt made between MLS as assignor and MIA (as trustee for Cheang) as assignee dated 25th August, 1999. MLS, in consideration of certain sum agreed to be paid by Cheang to MLS, assigned to MIA as trustee for Cheang debts in the total sum of approximately HK\$4,750,000, being the aggregate amount of the trade receivables due from Vtech Communications Limited ("Vtech") to MLS. Thereafter, MIA received on behalf of Cheang from Vtech two payments in aggregate amounting to approximately HK\$2,750,000 and MLS unilaterally terminated the said factoring agreement and claimed to be entitled to the sum of HK\$2,000,000 out of the assigned debts. Vtech took out interpleader proceedings in Court of First Instance of the High Court of Hong Kong in which both MLS and MIA were defendants. Vtech has since paid approximately HK\$2,000,000 into the court and the balance of the assigned debts to MIA (as trustee for Cheang) and been released from the interpleader proceedings. MLS and MIA (as trustee for Cheang) are in the process of proving their respective claims to the disputed sum of HK\$2,000,000 in the interpleader proceedings. In the opinion of the directors, the subsidiary, MIA has no likely liability in respect of the interpleader proceedings save in respect of certain legal costs. During the year and up to the date of approval of the Company's financial statements, there is no material progress on this litigation.

33. SUBSIDIARIES

Particulars of the subsidiaries at 31st March, 2003 are as follows:

Name	Place of incorporation or registration/ or operation	Issued and fully paid ordinary share capital/ registered and contributed capital	Attributable equity interest held by the Group	Principal activities
東莞德雅皮具製品廠有限公司 Dongguan Tak Ya Leather Goods Manufactory Limited (note b)	PRC	HK\$8,000,000	70% (note c)	Manufacture of accessories for photographic, electrical and multimedia products
Mana Industrial Limited	Hong Kong	HK\$10,000	100%	Inactive
March Professional Bags Company Limited	Hong Kong/PRC	HK\$50,000	100%	Manufacturing and trading of accessories for photographic, electrical and multimedia products
Mascotte Europe Company Limited	Liechtenstein	CHF50,000	100%	Inactive
Mascotte Industrial Associates (Hong Kong) Limited	Hong Kong	HK\$2	100%	Trading of accessories for photographic, electrical and multimedia products
Mascotte Investments Limited	Hong Kong	HK\$1,000 HK\$1,000,000*	100%	Property holding
Mascotte Group Limited	British Virgin Islands/ Hong Kong	US\$100	100%	Investment holding
麥科特志豪照相器材(惠州)有限公司 Market Group Zhi Hao Photographic Equipment (Hui Zhou) Industry & Trade Co. Ltd. (note b)	PRC	US\$3,180,000	90%	Property holding and manufacture of accessories for photographic, electrical and multimedia products

33. SUBSIDIARIES *(Continued)*

Name	Place of incorporation or registration/ or operation	Issued and fully paid ordinary share capital/ registered and contributed capital	Attributable equity interest held by the Group	Principal activities
Mascotte Hui Zhou Limited	British Virgin Islands/ PRC	US\$1	100%	Investment holding
Mascotte Overseas Limited	British Virgin Islands/ Macau	US\$1,795,000	100%	Trading of accessories for photographic, electrical and multimedia products
Mascotte Photographic Trading Limited	British Virgin Islands/ Macau	US\$1	100%	Trading of accessories for photographic, electrical and multimedia products
Newland Kingdom Limited	Hong Kong	HK\$9,998 HK\$2*	100%	Property investment
Resourceful Enterprise Limited	Hong Kong	HK\$2	100%	Trading of accessories for photographic
Tak Ya Leather Goods Manufactory Limited	British Virgin Islands/ PRC	US\$1	100%	Investment holding

* This represents non-voting deferred shares (*note d*).

Note:

- (a) Except for Mascotte Group Limited, all the companies above are indirectly held by the Company.
- (b) These companies are equity joint ventures.
- (c) Dongguan Tak Ya Leather Goods Manufactory Limited was established by the Group with an independent party in the PRC. Under various agreements entered into with the PRC party, the Group is entitled to all of the net profits derived from its operations up to 31st December, 2006.
- (d) These deferred shares, which are not held by the Group, practically carry minimal rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of the respective companies. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the respective companies only after the distribution of substantial amounts as specified in the Articles of Associations to holders of ordinary shares of the respective companies.