

RESULTS AND FINANCIAL REVIEW**Results**

For the year ended March 31, 2004, the Group's audited consolidated profit before minority interests was HK\$93.8 million (2003: loss of HK\$606.5 million, as restated), which comprised profit from operations of HK\$228.8 million (2003: loss of HK\$315.6 million), finance costs of HK\$26.4 million (2003: HK\$31.7 million), net gain on disposal of subsidiaries and associates of HK\$10.4 million (2003: Nil), amortization of goodwill arising on acquisition of associates of HK\$17.7 million (2003: HK\$6.6 million), share of net losses of associates of HK\$73.5 million (2003: HK\$32.4 million) and taxation of HK\$27.8 million (2003: HK\$36.0 million, as restated). Impairment loss on goodwill arising on acquisition of an associate of HK\$104.6 million and allowance for loan to associates of HK\$79.6 million included in last year did not recur for the year ended March 31, 2004.

Segment Results

For trading of computer related products, segment turnover amounted to HK\$3,737.3 million, increased by HK\$762.1 million (25.6%) and segment result recorded HK\$206.7 million, increased by HK\$108.8 million (111.2%).

For trading of consumer electronic products, segment turnover amounted to HK\$1,237.7 million, increased by HK\$128.1 million (11.5%) and segment result recorded HK\$21.9 million, increased by HK\$1.7 million (8.4%).

For trading of securities, segment turnover amounted to HK\$34.9 million, decreased by HK\$43.1 million (55.2%) and segment result turned around to profit of HK\$20.8 million from loss of HK\$110.4 million.

This year, the Group still enjoyed significant growth without lowering gross profit margin. This sales growth was due to our persistent efforts to control cost on inventory pricing, our strong and extensive business network worldwide and promotional efforts made. In the wake of the gradual economic recovery from this year, the Group results turned around into profits.

業績及財務回顧**業績**

截至二零零四年三月三十一日止年度，本集團之經審核未計少數股東權益前之綜合溢利為93,800,000港元（二零零三年：虧損606,500,000港元，經重列），主要包括經營溢利228,800,000港元（二零零三年：虧損315,600,000港元）、財務費用26,400,000港元（二零零三年：31,700,000港元）、出售附屬公司及聯營公司之收益淨額10,400,000港元（二零零三年：無）、攤銷收購聯營公司產生之商譽17,700,000港元（二零零三年：6,600,000港元）、應佔聯營公司虧損淨額73,500,000港元（二零零三年：32,400,000港元）及稅項27,800,000港元（二零零三年：36,000,000港元，經重列）。去年已計入之收購一間聯營公司產生之商譽減值虧損104,600,000港元及借予聯營公司貸款準備79,600,000港元於截至二零零四年三月三十一日止年度並無再出現。

分類業績

就買賣電腦相關產品而言，分類營業額為3,737,300,000港元，增加762,100,000港元（25.6%），而分類業績則錄得206,700,000港元，增加108,800,000港元（111.2%）。

就消費電子產品而言，分類營業額為1,237,700,000港元，增加128,100,000港元（11.5%），而分類業績則錄得21,900,000港元，增加1,700,000港元（8.4%）。

就買賣證券而言，分類營業額為34,900,000港元，減少43,100,000港元（55.2%），而分類業績則由110,400,000港元虧損轉為20,800,000港元溢利。

本年度，本集團仍在毛利並無下降的情況下享有大幅增長。此銷售增長是由於在存貨定價策略方面加緊控制成本、本集團在全球擁有強大及廣泛之業務網絡及加強推廣活動所致。另一方面，鑑於今年起經濟逐漸復甦，本集團業務已回復盈利。

Liquidity

Net bank and cash balances at March 31, 2004 decreased to HK\$141.1 million (2003: HK\$221.4 million which accounted for 9.8% (2003: 15.9%, as restated) of the net tangible asset value of the Group. The cash was mainly used for daily operations and purchase of inventories in response to the improved sales performance during the year. The current ratio of the Group at March 31, 2004 was 1.39 (2003: 1.40).

Financial Review

The net current assets of the Group at March 31, 2004 increased by HK\$168.4 million (35.3%) to HK\$645.8 million (2003: HK\$477.4 million).

Such increase was mainly attributable to the increase in inventory level of the subsidiaries in the United States and United Kingdom, from HK\$505.2 million as at March 31, 2003 to HK\$877.4 million as at March 31, 2004, as the management foresees an increasing sales trend in the coming years. In addition, market prices of products such as DVD and CDR boosted up owing to the decrease in supply. Therefore, the Company made bulk purchase so as to bargain for favourable prices.

Trade and other receivables increased from HK\$486.6 million as at March 31, 2003 to HK\$738.8 million as at March 31, 2004. Debtors turnover day increased from 35 days in 2003 to 50 days in current year. Owing to the increasing demand of DVD, turnover of such product increased at the end of the year leading to the increase in trade receivable balance at year end.

Trade and other payables increased from HK\$890.6 million as at March 31, 2003 to HK\$1,272.3 million as at March 31, 2004. Creditors turnover day remained steady from 75 days in 2003 to 78 days in current year. The Company was able to maintain a stable credit period by having established a long-term relationship with its major suppliers and making bulk purchases during the year.

流動資金

於二零零四年三月三十一日之銀行及現金結存減至141,100,000港元(二零零三年: 221,400,000港元), 佔本集團有形資產淨值之9.8%(二零零三年: 15.9%, 經重列)。現金主要用於日常業務及因應年內銷售表現有所改善而購買存貨。本集團於二零零四年三月三十一日之流動比率為1.39(二零零三年: 1.40)。

財務回顧

本集團於二零零四年三月三十一日之流動資產淨值增加168,400,000港元(35.3%)至645,800,000港元(二零零三年: 477,400,000港元)。

流動比率上升之主要由於管理層預料銷售額將在未來數年呈增長趨勢, 因此把在美國及英國之附屬公司的存貨水平由二零零三年三月三十一日之505,200,000港元增至二零零四年三月三十一日之877,400,000港元。此外, 包括DVD及一次收錄光碟在內之產品市場價格因供應減少而上揚, 故此本公司為求取得更佳議價而作大批量採購。

貿易及其他應收賬款由二零零三年三月三十一日之486,600,000港元升至二零零四年三月三十一日之738,800,000港元。應收賬流轉期由二零零三年之35日增至現年度之50日。由於DVD需求上升, 該產品之營業額於本年度末時增加, 導致年終時應收貿易賬款增加。

貿易及其他應付賬款由二零零三年三月三十一日之890,600,000港元升至二零零四年三月三十一日之1,272,300,000港元。應付賬流轉期大致保持平穩, 由二零零三年之75日略增至現年度之78日。本公司與其主要供應商已建立長期良好關係並在年內作大批量採購, 故可維持穩定的信用期。

At March 31, 2004, total borrowings of the Group amounted to HK\$384.2 million (2003: HK\$445.0 million), of which HK\$10.8 million (2003: HK\$177.0 million) were not repayable within one year. The borrowings included bank borrowings of HK\$205.7 million (2003: HK\$237.5 million), other loans of HK\$151.3 million (2003: HK\$180.0 million), overdrafts of HK\$23.3 million (2003: HK\$22.4 million), obligations under finance leases of HK\$1.5 million (2003: HK\$2.7 million) and amount due to a minority shareholder of HK\$2.4 million (2003: HK\$2.4 million). The drop in borrowings was due to the repayment of bank and other loans during the year to lower the finance costs.

Interests in associates

At March 31, 2004, interests in associates amounted to HK\$906.4 million (2003: HK\$271.4 million), represented share of net assets of HK\$617.5 million (2003: HK\$172.3 million), goodwill on acquisition of an associate of HK\$256.6 million (2003: HK\$65.5 million), loans to associates of HK\$1.4 million (2003: HK\$7.7 million) and amounts due therefrom of HK\$30.9 million (2003: HK\$25.9 million). The substantial increase in balance was mainly due to the further acquisition of an associate which was classified as investment in securities as at March 31, 2003, resulting in the increase in share of net assets and goodwill.

Pledge of assets

At March 31, 2004, certain assets of the Group amounted to HK\$399.0 million (2003: HK\$323.7 million) were pledged to banks and financial institution for loans' facilities granted to the Group.

Gearing ratio

The gearing ratio (borrowings/shareholders' funds) at March 31, 2004 was slightly reduced to 20.5% (2003: 25.7%, as restated).

於二零零四年三月三十一日，本集團借款總額為384,200,000港元（二零零三年：445,000,000港元），其中10,800,000港元（二零零三年：177,000,000港元）毋須於一年內償還。有關借款包括銀行借款205,700,000港元（二零零三年：237,500,000港元）、其他貸款151,300,000港元（二零零三年：180,000,000港元）、透支23,300,000港元（二零零三年：22,400,000港元）、融資租約承擔1,500,000港元（二零零三年：2,700,000港元）及應付一個少數股東款項2,400,000港元（二零零三年：2,400,000港元）。由於年內償還銀行及其他借款，以致財務費用得以減低。

聯營公司權益

於二零零四年三月三十一日，於聯營公司之權益為906,400,000港元（二零零三年：271,400,000港元），為應佔資產淨值617,500,000港元（二零零三年：172,300,000港元）、收購一間聯營公司產生之商譽256,600,000港元（二零零三年：65,500,000港元）、予聯營公司貸款1,400,000港元（二零零三年：7,700,000港元）及聯營公司欠款30,900,000港元（二零零三年：25,900,000港元）。該結餘大幅增加主要由於進一步購入一間聯營公司並於二零零三年三月三十一日列作證券投資，導致應佔資產淨值及商譽上升。

資產抵押

於二零零四年三月三十一日，本集團將399,000,000港元（二零零三年：323,700,000港元）之若干資產抵押予銀行及財務機構以取得本集團之貸款融資。

資本與負債比率

於二零零四年三月三十一日之資本與負債比率（借款／股東資金）輕微下跌至20.5%（二零零三年：25.7%，經重列）。

Exchange rate and interest rate risks exposure

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars and United States Dollars. The risk of foreign exchange fluctuation had not been significant to the Group. Interest rates of import loans are mainly referenced to LIBOR or HIBOR plus whereas that of bank and other loans are Prime plus. At the balance sheet date, the Group did not enter into any interest rate speculative and hedging contracts. However, the recent weakening of the United States Dollars against other foreign currencies (especially Canadian Dollars and Great British Pounds) would bring about certain exchange gains to the Canadian and European subsidiaries so far. Because of the possible rebound of the United States Dollars, the Group will consider entering into hedging contracts to eliminate exposure to downside risks, whenever the Group and the concerned foreign subsidiaries think fit.

Contingent liabilities

At March 31, 2004, the Group has no contingent liabilities in relation to guarantees given to banks and other financial institutions for facilities granted to an outsider. At March 31, 2003, the extent of such facilities was HK\$11.7 million.

Employees and remuneration policies

At March 31, 2004, there were approximately 700 staff (2003: 800) employed by the Group. The remuneration policies are formulated on the basis of performance of individual employees and the prevailing salaries' trends in the various regions. They are subject to be reviewed every year. The Group also provided employees training programs, mandatory provident fund scheme, medical insurance and discretionary bonus. Share options were awarded to employees on merit basis and some share options were granted during the year.

匯兌及利率風險

本集團大部分之業務交易、資產及負債均以港元及美元計值，外匯波動風險對本集團而言並不重大。進口貸款之利率主要參照倫敦銀行同業拆息率或香港銀行同業拆息率以上水平計算，而銀行及其他貸款之利率則主要參照最優惠利率以上水平計算。於結算日，本集團並無訂立任何利率投機及對沖合約。然而，由於最近美元相對其他外幣之匯率偏軟（尤其是與加元及英鎊之兌換率），目前能為加拿大及歐洲附屬公司帶來若干滙兌收益。鑑於美元可能反彈，本集團將考慮於其本身及有關之海外附屬公司認為合適時訂立對沖合約以對銷下調風險。

或然負債

本集團於二零零四年三月三十一日並無任何有關就附屬公司所獲之信貸款額而向若干銀行及其他財務機構提供擔保之或然負債。於二零零三年三月三十一日，該等信貸款額為11,700,000港元。

僱員及薪酬政策

於二零零四年三月三十一日，本集團僱用約700名員工（二零零三年：800名）。本集團之薪酬政策乃根據個別僱員之表現及不同地區當時之薪酬趨勢而制定。每年均會作出檢討。本集團亦提供培訓計劃、強制性公積金計劃、醫療保險及酌情花紅予僱員，表現優異之僱員會獲得購股權之獎勵。年內已授出若干購股權。

BUSINESS AND CORPORATE DEVELOPMENTS**Acquisition of shares in China Strategic Holdings Limited (“CSHL”)**

At March 31, 2003, an amount of approximately HK\$698.4 million included in investments in securities represented the Group's 14.55% equity interest in CSHL which is a listed company in Hong Kong. In September 2003, the Group acquired an additional interest of 16.65% in CSHL for a consideration of approximately HK\$19.3 million. Accordingly, the investment in CSHL was increased to 31.20% and it was reclassified from investments in securities to interests in associates. Details shall refer to the circular of the Company dated July 29, 2003. As at the date of this report, the Group's shareholding in CSHL was 29.36%.

Disposal of Shares in Memorex Holdings Limited (“Memorex Holdings”)

On October 25, 2003, the Group entered into a sale and purchase agreement (the “Agreement”) with Global Media Limited (the “Purchaser”), a subsidiary of Investor Capital Partners – Asia Fund. Investor Capital Partners – Asia Fund is a private equity fund advised by Investor Asia Limited, a wholly-owned subsidiary of Investor AB, which in turn is listed on the Stockholm Stock Exchange and is Sweden's largest investment holding company with a market capitalization of over US\$6 billion. Pursuant to the Agreement, the Purchaser agreed to acquire and the Group agreed to dispose of 35% of the issued share capital in Memorex Holdings (which, following a reorganization, would represent an attributable interest of approximately 23.5% in Memorex International Inc., a non-wholly owned subsidiary of the Group), for an aggregate cash consideration of approximately US\$39.9 million (equivalent to HK\$311.2 million).

In addition, the Purchaser has a call option whereby it may purchase an additional 20% interest in Memorex Holdings from the Group, exercisable in whole or in part at any time within three years from the date of the completion, at an exercise price equal to the aggregate of: (i) US\$26.9 million (equivalent to HK\$209.8 million); and (ii) the amount which represents 20% of the consolidated retained profits of Memorex Holdings which may be accumulated from the date of the completion to the last date of the quarter preceding the exercise of the call option.

業務及公司發展**收購中策集團有限公司(「中策」)之股份**

於二零零三年三月三十一日，證券投資約698,400,000港元之款項，乃指本集團於中策所佔14.55%之權益，中策為本港一上市公司。於二零零三年九月，本集團以約19,300,000港元之代價收購中策16.65%之額外權益。因此，本集團於中策之權益增至31.20%，其投資已由證券投資重新分類為聯營公司權益。有關詳情請參閱本公司日期為二零零三年七月二十九日之通函。於本年報刊發之日，本集團於中策之股權約為29.36%。

出售 Memorex Holdings Limited (「Memorex Holdings」) 之股份

於二零零三年十月二十五日，本集團與Global Media Limited(「買方」)(Investor Capital Partners - Asia Fund之附屬公司)訂立一項買賣協議(「該協議」)。Investor Capital Partners - Asia Fund為一項由Investor AB之全資附屬公司Investor Asia Limited擔任顧問之私人股本基金。Investor AB於斯德哥爾摩證券交易所上市，為瑞士最大之投資控股公司，市值超逾6,000,000,000美元。根據該協議，買方同意認購及本集團同意出售Memorex Holdings已發行股本之35%(於重組後將於本集團之非全資附屬公司Memorex International Inc.持有應佔權益約23.5%)，現金總代價約為39,900,000美元(相等於311,200,000港元)。

此外，買方持有認購期權，據此，可向本集團額外購入Memorex Holdings 20%權益。認購期權可於完成日期起計三年內隨時全部或部分行使，行使價相當於以下兩者之總和：(i)26,900,000美元(相等於209,800,000港元)；及(ii)相當於由完成日期起至行使認購期權時對上一個季度之最後一日止期間，Memorex Holdings所累積綜合保留溢利20%之金額。

In the 30 day period after the third anniversary of the date of the completion, the Purchaser has a partial exit right whereby it may require the Group to purchase 17.5% of the issued share capital of Memorex Holdings, at the same price per share at which the Purchaser acquired its 35% interest in Memorex Holdings at the date of the completion.

Details of these transactions are set out in the circular of the Company dated November 18, 2003.

Acquisition of Dysan and Precision trademarks

In November 2003, the Group completed the purchase of the trademarks DYSAN and PRECISION at a consideration of HK\$190 million. The acquisition of these brandnames enables the Group to further build on its intellectual property portfolio. Leveraging our established sales, marketing and distribution network for the Memorex® brand, the Group intends to expand its product offerings for Dysan and Precision branded products to target the different markets and end-users.

Acquisition of a land development project known as 珠海錦興產業園

In December 2003, an indirect wholly-owned subsidiary of the Group entered into an agreement for acquisition of the entire interest in a company which had a co-operation agreement entered into an independent third party for the joint development of certain land located at Doumen District, Zhuhai City of the People's Republic of China (「珠海錦興產業園」). As at March 31, 2004, a total of approximately HK\$155.4 million was paid for obtaining certain parts of the land use right for land development, site formation and the exclusive development right to the 珠海錦興產業園.

Placing and Subscription of Shares

On January 28, 2004, ITC Corporation Limited ("ITC"), a substantial shareholder of the Company, entered into a placing and subscription agreement with the placing agent and the Company pursuant to which ITC agreed to place 21,500,000 shares at the price of HK\$4.00 per share to not less than six placees who were independent third parties procured by the placing agent and ITC would subscribe for 21,500,000 new shares at the same price of HK\$4.00 per share. Please refer to the Company's announcement of January 28, 2004 for details of such placing and subscription.

於完成日期滿三週年後之三十日期間內，買方擁有部分退股權，據此，可要求本集團購入 Memorex Holdings 已發行股本之 17.5%，價格相等於買方於完成日期時認購 Memorex Holdings 35% 權益之每股價格。

此等交易之詳情載於本公司於二零零三年十一月十八日之通函內。

收購 Dysan 及 Precision 商標

於二零零三年十一月，本集團以 190,000,000 港元之代價購入 DYSAN 及 PRECISION 商標。收購該等商標讓本集團加強其知識產權組合。為進一步發揮現有之 Memorex® 品牌的銷售、市場推廣及分銷網絡優勢，本集團擬擴大 Dysan 及 Precision 品牌產品的種類以針對不同市場及用家。

收購一項名為珠海錦興產業園之土地發展項目

於二零零三年十二月，本集團之間接全資附屬公司訂立一項協議，收購一間公司之全部權益。該公司與一名獨立第三者訂立一項合作協議，共同開發位於中華人民共和國珠海市斗門區之若干土地(「珠海錦興產業園」)。於二零零四年三月三十一日，本集團支付總額約 155,400,000 港元，以取得土地開發權及地盤平整之若干部份土地使用權及珠海錦興產業園之獨家開發權。

配售及認購股份

於二零零四年一月二十八日，本公司主要股東德祥企業集團有限公司(「德祥企業」)與配售代理及本公司訂立一項配售及認購協議，據此，德祥企業同意按每股 4.00 港元之價格向不少於六名承配人(為配售代理介紹之獨立第三者)配售 21,500,000 股股份，而德祥企業則會按每股 4.00 港元之相同價格認購 21,500,000 股新股。有關配售及認購之詳情，請參閱本公司於二零零四年一月二十八日刊發之公佈。