1. GENERAL

The company was incorporated as an exempted company in Bermuda with its shares listed on The Stock Exchange of the Hong Kong Limited ("Stock Exchange"). The trading of the Company's shares on the Stock Exchange has been suspended since 6 February 2003.

The principal activity of the company is investment holding.

The principal activities of its subsidiaries are set out in note 12 to the financial statements.

2. BASIS OF PREPARATION

(a) At the time of preparation of these financial statements, certain key members of staff within the Group, in particular, those in the accounting department, had resigned. Although the directors have used their best endeavours to relocate all the financial and business records of the Group as most of the former directors of the Company, former senior management and former accounting personnel of the Group have left the Group, the directors have been unable to locate sufficient documentary information to satisfy themselves regarding the treatment of various balances of the Group and of the Company as at 31 March 2003 and for the year ended.

(i) The directors were unable to provide supporting documentation for verifying the ownership of interests in subsidiaries. Hence, the directors were unable to satisfy themselves the ownership of interests in subsidiaries at 31 March 2003.

(ii) There were no proper books and records kept by a subsidiary namely Yue Hong Enterprises Limited.

(iii) One of the subsidiaries is involved in a High Court proceeding. However, the directors were unable to provide any information in respect of the proceeding and were unable to determine the amount of liability that might arise therefrom.

(iv) The financial statements have been prepared based on the available books and records maintained by the Company and its subsidiaries. However, in view of the lack of evidence available, the directors were unable to represent that all transactions entered into by the Company and its subsidiaries for the year ended 31 March 2003 have been reflected in the books and records and in the financial statements. In this context, the directors were unable to verify the completeness of the disclosure of related party disclosure.

(v) because certain accounting records have been mislaid, the following required disclosures have not been made in the financial statements:

- Deferred taxation disclosures as required by SSAP 12 " Accounting for Deferred Tax";

- Operating leases disclosures as required by SSAP 14 (Revised) " Leases";

- Discontinuing operations disclosures as required by SSAP 33 "Discontinuing operations".

2. BASIS OF PREPARATION (CONTINUED)

(b) According to public announcement made on 3 September 2001 and 24 December 2001, Excellent State Limited which was incorporated in Hong Kong and Global Mission Holdings Limited which was incorporated in British Virgin Islands are the subsidiaries of the Group. However, in the absence of supporting documentation to verify the existence and ownership, the results of these companies are not included in the consolidation financial statements.

(c) During the year ended 31 March 2003, the Company and its subsidiaries (collectively referred to as the "Group") have incurred a consolidated net loss of approximately \$155,514,000. As at 31 March 2003, the Group had net liabilities of approximately \$37,616,000.

The financial statements of the Group and Company have been prepared on a going concern basis. Should the Group and Company be unable to continue in business as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance
These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAP") and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provision of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited. The financial statements are prepared under the historical cost convention. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Group accounting
(i) Consolidation
The consolidated financial statements include the accounts of the company and its subsidiaries made up to 31 March.

Subsidiaries are those entities in which the company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

3. SIGNIFICANT ACCOUNTING POLICIES

(b) Group accounting (continued)

(i) Consolidation (continued)

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.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill/ negative goodwill or goodwill/ negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated income statement and any related accumulated foreign currency translation reserve.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the company's balance sheet the interests in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the company on the basis of dividends received and receivable.

(ii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

The balance sheet of subsidiaries, jointly controlled entities and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(c) Intangibles

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary company at the date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Intangibles (continued)

(i) Goodwill (continued)

Goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a maximum period of 15 years. For all other acquisitions goodwill is generally amortised over 5-10 years.

Goodwill on acquisitions that occurred prior to 1st January 2001 was eliminated against reserves. Any impairment arising on such goodwill is accounted for in the income statement.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions after 1st January 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognized in the income statement when the future losses and expenses are recognized. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognized in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognized in the income statement immediately.

For acquisitions prior to 1st January 2001, negative goodwill was taken directly to reserves on acquisition.

(ii) Land use right

Expenditure on acquired land use right is capitalised and amortised using straight-line method over its useful life.

(iii) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

(i) Depreciation and amortisation

Depreciation is provided to write off the cost of property, plant and equipment less accumulated impairment losses over their estimated useful lives, using the straight line balance method, at the following rates per annum:-

Buildings	- 2%
Furniture, fixture and equipment	- 20%
Plant and machinery	- 10-20%
Motor vehicles	- 20%

(ii) Measurement bases

Property, plant and equipment, are measured at their cost less any accumulated impairment losses and depreciation. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount when it is probable that the expenditure increases the economic benefits to the company.

(iii) Gains or losses on disposal of property, plant and equipment

The gain or loss arising from the retirement or disposal of an item of property, plant and equipment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and is recognized as income or expense in the income statement.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using weighted average method. Net realisable value is calculated as the actual or estimated selling price less all further costs of production and the related costs of marketing, selling and distribution.

(f) Impairment loss

At each balance sheet date, the company assesses whether there is indication that property, plant and equipment, intangible assets and interests in subsidiaries have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the smallest group of assets that generates cash flows independently.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment loss (continued)
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 losses are recognized as an expense immediately, unless the relevant asset is carried at revalued amount, in which case the impairment loss is firstly charged against the related revaluation reserve to the extent of the amount held in the revaluation reserve with any excess recognized as an expenses.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, which is restricted to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Operating leases
Leases where substantially all the rewards and risks of ownership of assets, including legal title, remain with the leasing party are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease term. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(h) Deferred tax/future tax benefit
Deferred tax is provided, using the liability method, on all significant timing differences other than those are not expected to crystallize in the foreseeable future.

Future tax benefit is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation.

(i) Trade receivable
Provision is made against trade receivable to the extent that they are considered to be doubtful. Trade receivable in the balance sheet is stated net of such provision.

(j) Provisions and contingent liabilities
Provisions are recognized for liabilities of uncertain timing or amount when the Company and Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Provisions and contingent liabilities (continued)
Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimate reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of the one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(k) Recognition of revenue
Revenue from the sale of goods is recognised, net of discounts and returns, on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(l) Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and amounts repayable on demand with banks and financial institutions and short-term highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired, less advances from banks.

(m) Related parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(n) Employee benefits
(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employee of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Payment to the retirement benefit scheme are charged as an expense as they fall due.

4. TURNOVER, REVENUE AND SEGMENTAL INFORMATION
Turnover represents total invoiced value of goods supplied to customers affer deduction of any goods returns and trade discounts.

4. TURNOVER, REVENUE AND SEGMENTAL INFORMATION (CONTINUED)

GROUP

	2003 $'000	2002 $'000
Turnover		
Sales of goods	37,475	70,364
Other revenue		
Interest income	354	81
Other income	-	103
	354	184

The Group is principally engaged in assembling and distribution of home appliance products during the year. The analysis of turnover and contribution to profit/(loss) from operations by principal activities and geographical locations is an follows:-

GROUP

	Turnover		Contribution to profit/(loss) from operations	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
By principal activities				
Trading of				
Audio-visual products	-	35,048	(108,974)	(11,959)
Other home appliance products	-	34,526	-	(11,781)
Assembling and distribution of goods				
Home appliance products	37,475	-	(80,400)	-
Digital cameras	-	790	-	(255)
	37,475	70,364	(189,374)	(23,995)
Less : Net interest expenses			(2,237)	(402)
			(191,611)	(24,397)

4. TURNOVER, REVENUE AND SEGMENTAL INFORMATION (CONTINUED)

GROUP

	Turnover		Contribution to profit/(loss) from operations	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
By geographical locations:				
The Hong Kong Special Administrative Region ("Hong Kong")	-	-	-	-
The People's Republic of China excluding Hong Kong ("PRC")	37,475	70,364	(191,611)	(24,397)
	37,475	70,364	(191,611)	(24,397)

5. FINANCE COSTS

	2003 $'000	2002 $'000
Interest charges on:		
Bank loans and overdrafts	2,237	424
Hire purchase contract	-	59
	2,237	483

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging and crediting the following:-

	2003 $'000	2002 $'000
Charging:-		
Depreciation on		
owned assets	345	1,265
leased assets	-	234
Amortisation of intangible assets	36	-
Exchange loss	3	3
Operating charges	144	21
Auditors' remuneration	400	600
* Staff costs (including directors' emoluments - note 7)	2,340	5,356

* Staff costs included direct labour, salaries and allowances, wages, staff welfare and retirement benefit scheme contributions

7. TAXATION

	Notes	2003 $'000	2002 $'000
The charge comprises:-			
Current tax			
Hong Kong profits tax		-	-
Overseas tax			
- Company and subsidiaries		29	-
		===========	===========

No Hong Kong profits tax has been provided in the financial statements as the Group did not derive any assessable profit for the year.

Overseas tax is provided in accordance with the legislation and tax rates prevailing in the respective overseas countries.

8. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Companies Ordinance for the year is $nil (2002 : $1,477,000)

Of the five individuals with the highest emoluments, none (2002: one) is a director. The aggregate of the emoluments in respect of the five (2002: four) individuals are as follows:-

GROUP

	2003 $'000	2002 $'000	2001 $'000
Salaries and other emoluments	900	2,998	722
Bonuses	-	-	-
Retirement scheme contributions	-	-	8
	----------------	-----------------	-----------------
	900	2,998	730
	==========	==========	==========

8. DIRECTORS' EMOLUMENTS (CONTINUED)

The emoluments of the five (2002: four) individuals with the highest emoluments are with the following bands:-

GROUP

	2003 Number of Individuals	2002 Number of Individuals	2001 Number of Individuals
HK$Nil - HK$1,000,000	5	3	2
HK$1,000,001- HK$2,500,000	-	1	-
	5	4	2

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The consolidated loss attributable to shareholders includes a loss of $148,954,000 (2002: $8,902,000) which has been dealt with in the financial statements of the Company.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders of $155,514,000 (2002: $24,519,000) and the weight average of 321,203,000 ordinary shares (2002 : 277,758,000) during the year.

11. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Building	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	TOTAL
	$'000	$'000	$'000	$'000	$'000
COST					
At 01/04/2002	-	20,682	-	1,252	21,934
Impairment	-	(20,682)	-	(1,252)	(21,934)
Acquisition of subsidiary	-	93	4,682	79	4,854
Additions	2,817	-	79	-	2,896
At 31/03/2003	2,817	93	4,761	79	7,750
AGGREGATE DEPRECIATION					
At 01/04/2002	-	4,118	-	435	4,553
Impairment	-	(4,118)	-	(435)	(4,553)
Acquisition of subsidiary	-	18	417	18	453
Charge for the year	13	12	310	10	345
At 31/03/2003	13	30	727	28	798
NET BOOK VALUE					
At 31/03/2003	2,804	63	4,034	51	6,952
At 31/03/2002	-	16,564	-	817	17,381

The building is situated in PRC and held on medium term leases.

12. INTERESTS IN SUBSIDIARIES

COMPANY

	2003 $'000	2002 $'000
Investments at cost		
Unlisted shares	86,069	82,069
Amounts due from subsidiaries	59,539	58,796
	145,608	140,865
Less : Impairment loss in value	(82,069)	-
Written-off of amounts due from subsidiaries	(59,539)	-
	4,000	140,865

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms.

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

Name	Place of incorporation / registration	Nominal value of issued capital	Percentage of issued capital / equity interest held by the company		Principal activities
			Direct	Indirect	
Yue Hong Enterprises Limited*	The British Virgin Islands ("The BVI")	US$1,000	100%	-	Investment holding
Durban (Holdings) Limited*	Hong Kong	Ordinary $1,000 Non-voting deferred shares $70,000,000	-	100%	Investment holding
Durban Technology Limited*	Hong Kong	Ordinary $1,000	-	100%	Trading of audio and video products

12. INTEREST IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation / registration	Nominal value of issued capital	Percentage of issued capital / equity interest held by the company		Principal activities
			Direct	Indirect	
Beijing Durban Yu Chang Electronics Company Limited*	The PRC	US$500,000	-	95%	Dormant
Chong Sun Securities Limited	The BVI	US$1	100%	-	Investment holding
順德正野電器有限公司	The PRC	RMB3,839,960	-	51%	Assembly and distribution of air-conditioners

* Not audited by Wong Lam Leung & Kwok C.P.A. Limited and not consolidated.

Notes :

(a) Beijing Durban Yu Chang Electronics Company Limited is a Sino-foreign equity joint venture established in the PRC to be operated for 20 years up to January 2019.

(b) On 4 April 2003, Victor Century Limited was deregistered.

(c) The financial statements of Yue Hong Enterprises Limited, Durban (Holdings) Limited, Durban Technology Limited, Beijing Durban Yu Chang Electronics Company Limited and Victor Century Limited are not consolidated in the consolidated financial statements. As explained in note 2(a), certain key members of staff within the Group had resigned and no books and records can be produced for year ended 31 March 2003. Hence, the Group's investment in Yue Hong Enterprises Limited represents its interest in net assets of the subsidiary at the date of loss of control over that company of approximately $82,069,000 is impaired to reflect its recoverable amount and recognized as an expenses.

13. INTANGIBLE ASSETS

GROUP

	Land use right		Goodwill on consolidation	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
At cost	2,922	-	1,597	-
Less : Accumulated amortization	(68)	-	-	-
Less : Written-off	(2,854)	-	-	-
Less : Impairment	-	-	(1,597)	-
At 31/03/2003	-	-	-	-

14. INVENTORIES

GROUP

	2003	2002
	$'000	$'000
Raw materials	1,805	3,352
Work in progress	97	-
Finished goods	1,332	449
	3,234	3,801

At 31 March 2003, no inventories are carried at net realizable value (2002 : $nil).

15. TRADE RECEIVABLE

GROUP

	2003	2002
	$'000	$'000
Trade receivables	55,940	74,410
Less: Provision for doubtful debts	(44,409)	(2,992)
	11,531	71,418

15. TRADE RECEIVABLE (CONTINUED)

GROUP

Included in trade receivables are trade debtors (net of specific allowances for bad and doubtful debts) with the following ageing analysis:

	2003 $'000	2002 $'000
0-30 days	4,144	10,751
31-60 days	1,996	3,168
61-90 days	7,026	1,298
Over 90 days	42,774	59,193
Less : provision for doubtful debts	(44,409)	(2,992)
	11,531	71,418

Subsequent to the year end, approximately $11,531,000 was received.

16. TRADE PAYABLES

GROUP

Included in trade payables are trade creditors with the following ageing analysis

	2003 $'000	2002 $'000
0-30 days	2,948	-
31-60 days	1,049	-
61-90 days	2,073	-
Over 90 days	65,394	-
	71,464	-

17. SHARE CAPITAL

COMPANY

	2003 $'000	2002 $'000
Authorized:-		
600,000,000 ordinary shares of $0.1 each	60,000	60,000
Issued and fully paid:-		
364,600,000 (2002 : 309,600,000) ordinary shares of $0.1 each	36,460	30,960

17. SHARE CAPITAL (CONTINUED)

On 13 January 2003 the Company issued 55,000,000 fully paid ordinary shares of $0.1 each, at par. These shares rank pari passu with the existing shares. The reason for this increase in issued share capital was provide working capital to the Company.

Under a share option scheme approved by the shareholders, the directors, of the Company may, at their discretion, invite full-time employees including executive directors to take up options to subscribe for shares in the Company representing up to a maximum of 10% of the shares in issue from time to time (excluding shares issued on exercise of option under the share option scheme). No share option was granted by the Company during the year.

18. RESERVES

GROUP

	Share premium	Capital reserve	Translation reserve	Accumulated losses	Total
	$'000	$'000	$'000	$'000	$'000
At 1/4/2001	39,328	69,903	(629)	(18,106)	90,496
New issued of shares	4,102	-	-	-	4,102
Share issue expenses	(522)	-	-	-	(522)
Loss for the year	-	-	-	(24,519)	(24,519)
At 31/3/2002 and 1/4/2002	42,908	69,903	(629)	(42,625)	69,557
Share issue expenses	(85)	-	-	-	(85)
Written off of translation reserve	-	-	629	(629)	-
Written off of capital reserve in subsidiaries	-	11,966	-	-	11,966
Loss for the year	-	-	-	(155,514)	(155,514)
At 31/3/2003	42,823	81,869	-	(198,768)	(74,076)

18. RESERVE (CONTINUED)

COMPANY

	Share premium	Capital reserve	Translation reserve	Accumulated losses	Total
	$'000	$'000	$'000	$'000	$'000
At 1/4/2001	39,328	81,869	-	(1,719)	119,478
New issued of shares	4,102	-	-	-	4,102
Share issue expenses	(522)	-	-	-	(522)
Loss for the year	-	-	-	(8,902)	(8,902)
At 31/3/2002 and 1/4/2002	42,908	81,869	-	(10,621)	114,156
Share issue expenses	(85)	-	-	-	(85)
Loss for the year	-	-	-	(148,954)	(148,954)
At 31/3/2003	42,823	81,869	-	(159,575)	(34,883)

19. RETIREMENT BENEFITS SCHEME

The employees of the company's subsidiary in the PRC are members of the a state-managed retirement benefit scheme operated by the government. The subsidiary is required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligations of the subsidiary with respect to the retirement scheme is to make the specified contributions.

20. ULTIMATE HOLDING COMPANY

The directors regard Arko Resources Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.