1. CORPORATE INFORMATION

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 the Company's subsidiaries are set out in note 14 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 2002 and for the year ended.

i) They were unable to locate the supporting documentation to substantiate the turnover including the sales of approximately HK$70,364,000 and other revenue of approximately HK$184,000. Accordingly, the directors have been unable to satisfy themselves as to whether these amounts are fairly stated in the financial statements.

ii) They were unable to locate third party supporting documentation to substantiate loss from ordinary activities before taxation after charging the following amounts:

- Cost of sales of approximately HK$69,046,000;
- Selling and distribution costs of approximately HK$431,000;
- Administrative expenses of approximately HK$16,491,000;
- Finance costs of approximately HK$483,000;
- Written-off of deposits of approximately HK$8,269,000; and
- Loss on disposal of subsidiaries of approximately HK$225,000.

Accordingly, the directors have been unable to satisfy themselves as to whether these amounts are fairly stated in the financial statements.

iii) There were no proper books and records kept by the subsidiaries namely Victor Century Limited and Yue Hong Enterprises Limited. The directors were unable to satisfy themselves as to whether the minority interest in respect of Victor Century Limited charged to income statement of approximately HK$122,000 during the year was fairly stated.

2. BASIS OF PREPARATION (Continued)

a) (Continued)

iv) In the absence of a reliable fixed assets register of the Group as at 31 March 2002, the directors were unable to satisfy themselves as to the existence, ownership, and classification of the fixed assets. In addition, the directors were unable to verify the accuracy of depreciation charges of approximately HK$1,499,000 for the year ended 31 March 2002. As there was no independent professional valuation of these assets, the directors were unable to quantify the effect of impairment loss in the carrying value of fixed assets on the financial statements as at 31 March 2002.

v) The directors were unable to obtain documentation to support the following balances at 31 March 2002:

- Amounts due from related companies of approximately HK$5,276,000 of the Group and approximately HK$4,625,000 of the Company;
- Prepayments, deposits and other receivables of approximately HK$15,759,000 of the Group;
- Trade receivables of approximately HK$71,418,000 of the Group and the aged analysis; and
- Cash and bank balances of approximately HK$2,033,000 of the Group and approximately of HK$1,636,000 of the Company.

Accordingly, the directors were unable to satisfy themselves as to whether these amounts are fairly stated in the financial statements.

vi) At 31 March 2002, provision of HK$2,992,000 has been made to the Group's trade receivables of approximately HK$74,410,000 as mentioned in note 17. No provision has been made in respect of the amounts due from related companies of approximately HK$5,276,000 of the Group and approximately HK$4,625,000 of the Company and prepayments, deposits and other receivables of approximately HK$15,759,000 of the Group as at 31 March 2002. The directors were unable to satisfy themselves whether the provision was adequate. In addition, the directors were unable to provide the supporting documentation for the recoverability of these amounts. Therefore, the recoverability of these amounts was in doubt and any adjustments to the amounts would have a consequential effect on the loss for the year.

vii) In respect of preparing the confirmation of trade receivables, amounts due from related companies, prepayment and deposits and other receivables, short-term loans and obligations under hire purchase contract in the amounts of approximately HK$74,410,000 (before provision for bad and doubtful debts) of the Group, approximately HK$5,276,000 of the Group and approximately HK$4,625,000 of the Company, approximately of HK$15,759,000 of the Group, approximately HK$10,000,000 of the Group and approximately HK$313,000 of the Group respectively, the directors were unable to provide the particulars of the parties.

viii) No stock taking procedure was carried out for the inventories amounting to HK$3,801,000 at 31 March 2002. The directors were unable to verify the existence, ownership and valuation of the inventories as at 31 March 2002. Also in the absence of supporting documentation, the directors were unable to satisfy themselves as to whether the classification of inventories at 31 March 2002 is appropriate.

2. BASIS OF PREPARATION (Continued)

a) (Continued)

ix) The directors were unable to satisfy themselves as to the completeness of the following balances at 31 March 2002 :

- Obligations under hire purchase contract of approximately HK$313,000 of the Group;
- Short-term loan of approximately HK$10,000,000 of the Group; and
- Other payables and accruals of approximately HK$4,487,000 of the Group and approximately HK$2,018,000 of the Company.

In addition, in the absence of formal loan agreements in respect of the short-term loan, the directors were unable to verify the classification of these balances in the financial statements and satisfy themselves as to whether these amounts are fairly stated in the financial statements.

x) During the year, the Company had several placing and allotments of shares. However, the directors were unable to provide supporting documentation in respect of the arrangement fees of approximately HK$522,000. Accordingly, the directors were unable to satisfy themselves as to whether the amount is fairly stated in the financial statements.

xi) 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.

xii) 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 2002 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 in note 22.

xiii) As further explained in note 2(a) to the financial statements, the books and records of the Company and the Group have not been updated subsequent to the balance sheet date as a result of the resignations of key members of staff within the Group, especially those in the accounting department, during the year and after the year end. Accordingly, the directors were unable to carry out the procedures for the review of subsequent events of the balance sheet date as at 31 March 2002 up to the date of this report. Such review might reveal necessary adjustments to the amounts reported in these financial statements, in particular, in respect of provisions for impairment loss of assets and/or additional disclosures in respect of non-adjusting events.

xiv) The directors were unable to provide supporting documentation in respect of the segment information and maximum outstanding during the year in respect of amounts due from related companies as disclosed in notes 5 and 15 respectively and they were unable to confirm whether these amounts are fairly stated in the financial statements.

2. BASIS OF PREPARATION (Continued)

a) (Continued)

xv) The directors were unable to provide supporting documentation for verifying the ownership of investment in subsidiary. Also, they were unable to quantify the impairment loss in the investment in subsidiary and provision for amounts due from subsidiaries at 31 March 2002. Hence, the directors were unable to satisfy themselves the ownership and valuation of interests in subsidiaries at 31 March 2002.

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 consolidated financial statements.

c) Because certain accounting records have been mislaid, the following required disclosures have not been made in the financial statements:

i) Deferred taxation disclosures as required by SSAP 12 "Accounting for Deferred Tax";and

ii) Operating leases disclosures as required by SSAP 14 (Revised) "Leases".

d) During the year ended 31 March 2002, the Company and its subsidiaries (collectively referred to as the "Group") have incurred a consolidated net loss of approximately HK$24,519,000. As at 31 March 2002, the Group had net assets of approximately HK$100,517,000. In the absence of Group's books and records subsequent to the balance sheet date, failure of recovering the trade receivables, amounts due from related companies and prepayments, deposits and other receivables of approximately HK$92,453,000 may affect the liquidity of working capital.

Accordingly, 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. PRINCIPAL ACCOUNTING POLICIES

a) IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with SSAPs issued by the Hong Kong Society of Accountants ("HKSA"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The financial statements are prepared under the historical cost convention.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

a) IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (Continued)

In the current year, the company has adopted, for the first time, the following relevant SSAPs issued by the HKSA which are effective for the current year's financial statements:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 18 (revised)	:	Revenue
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

Interpretation 12 : "Business combinations – subsequent adjustment of fair values and goodwill initially reported."

Interpretation 13 : "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves."

The Group has also early adopted the following SSAPs which are effective for periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 33	:	Discontinuing operations
SSAP 34 (revised)	:	Employee benefits

The adoption of these Standards has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has not had any significant impact on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

b) GROUP ACCOUNTS

The group accounts include the accounts of the Company and its subsidiaries made up to 31 March 2002. 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

b) GROUP ACCOUNTS (Continued)

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 goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement.

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

c) GOODWILL

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries:

- for acquisitions before 1 January 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses; and

- for acquisitions on or after 1 January 2001, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses.

Negative goodwill arising on acquisitions of controlled subsidiaries represents the excess of the group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

- for acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and

- for acquisitions on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisatble. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

c) GOODWILL (Continued)

In respect of any negative goodwill not yet recgonised in the consolidated income statement, for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill.

On disposal of a controlled subsidiary during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

d) REVENUE RECOGNITION

i) 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.

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

e) FIXED ASSETS

Fixed assets other than investment properties and leasehold land and buildings are stated at cost less accumulated depreciation and impairment losses.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of fixed assets other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

f) LEASEHOLD LAND AND BUILDINGS

Leasehold land and buildings are stated at valuation, being fair value at the date of revaluation, less subsequent accumulated amortisation or depreciation. Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, and is determined on the basis of existing use.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

f) LEASEHOLD LAND AND BUILDINGS (Continued)

It is the group policy to review regularly the fair value of fixed assets on an individual basis. If it is considered appropriate, independent professional valuations are obtained. If the fair value is in excess of the carrying amount of the relevant asset, the surplus is credited to the revaluation reserve to the extent that it is not covered by deficits arising on prior valuations of that asset which have been previously charged to the income statement. If the fair value is less than the carrying amount of the relevant asset the deficit is charged to the income statement to the extent that it is not covered by surpluses arising on prior valuations of that asset which have been previously credited to the revaluation reserve.

g) INVESTMENT PROPERTIES

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued at intervals of not more than three years by independent valuers; in each of the intervening years, valuations are undertaken by professionally qualified executives of the Group. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the income statement.

h) ASSETS UNDER LEASES

i) Finance leases

Leases that substantially transfer to the company all the rewards and risks of ownership of assets are accounted for as hire purchase contracts. At the inception of a hire purchase contract, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

h) ASSETS UNDER LEASES

i) Finance leases (Continued)

Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the income statement over the periods of the leases so as to produce an approximately constant periodic rate of charge on the remaining balances of the obligation for each accounting period.

Assets held under hire purchase contract is depreciated over the shorter of the lease terms and their estimated useful lives on the same basis as owned assets.

ii) Operating leases charges

Where the group has the use of assets under operating leases, payments made under the lease are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

i) AMORTISATION AND DEPRECIATION

Depreciation is not provided for freehold land. Fixed assets are depreciated at rates sufficient to write off their cost/valuation less accumulated impairment loss over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Investment properties	Over the remaining lease term
Leasehold land	1.52% to 2%
Buildings	2.5% or over the lease term whichever is shorter
Furniture, fixtures and equipment	20%
Motor vehicles	20%

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

j) IMPAIRMENT OF FIXED ASSETS

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased :

- fixed assets; and
- investments in subsidiaries except for those accounted for at fair value.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

k) SUBSIDIARIES

An investment in a controlled subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

k) SUBSIDIARIES (Continued)

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an interest in a subsidiary is stated at cost less any impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

l) RELATED PARTIES

Two 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 other 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.

m) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost represents the invoiced cost of inventories, less volume discount. In general, costs are assigned to individual items on the first-in first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

n) 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.

o) CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

p) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the company or 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.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated 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 one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

q) DEFERRED TAXATION

Deferred taxation is accounted for under the liability method in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or asset is expected with reasonable probability to crystallise in the foreseeable future. Deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

r) TRANSLATION OF FOREIGN CURRENCIES

Transactions in foreign currencies during the year 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 accounts of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences arising are dealt with as movement in reserves.

s) EMPLOYEE BENEFITS

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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

s) EMPLOYEE BENEFITS (Continued)

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the income statement as incurred.

t) RESEARCH AND DEVELOPMENT COSTS

Research development costs are expensed as incurred, except for development costs where the technical feasibility of the product under development has been demonstrated, costs are identifiable and a market exists for the product such that it is probable that it will be profitable. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than 5 years to reflect the pattern in which the related economic benefits are recognised.

u) SEGMENT REPORTING

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the group's internal financial reporting, the group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

4. TURNOVER AND OTHER REVENUE

Turnover represents sales value of goods supplied to customers after deduction of any goods returns and trade discounts.

	Group	
	2002	2001
	HK$'000	HK$'000
Turnover		
Sales of goods	70,364	147,672
Other revenue		
Interest income	81	1,795
Other income	103	-
Total revenues	70,548	149,467

5. SEGMENT INFORMATION

Business segments

An analysis of the group's performance by business segments, namely 'Trading of audio-visual products', 'Trading of other home appliance products' 'Assembling and distribution of rear projection colour televisions', 'Assembling and distribution of DVD players and 'Assembling and distribution of digital cameras' is as follows:

	Trading of				Assembling and distribution of goods							
	Audio-visual Products		Other home appliance products		Rear Projection colour televisions		DVD players		Digital cameras		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	35,048	111,477	34,526	2,466	-	16,338	-	16,941	790	450	70,364	147,672
Segment results	(11,959)	(28,791)	(11,781)	(546)	-	(3,619)	-	(8,764)	(255)	(951)	(23,995)	(42,671)
Less : net interest expenses											(420)	(4,863)
Loss before taxation											(24,397)	(47,534)
Taxation											-	217
Loss from ordinary Activities aster taxation											(24,397)	(47,317)
Segment assets	58,262	69,975	57,406	1,574	-	48,062	-	48,062	-	1,447	115,668	169,120
Segment liabilities	7,450	52,334	7,461	1,177	-	890	-	903	10	1,712	14,921	67,016
Other segment information: Depreciation											1,499	4,298
Capital expenditure											24	17,385

5. SEGMENT INFORMATION (Continued)

Geographical segments

In determining the Group's geographical segment, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		The People's Republic of China excluding Hong Kong (the "PRC")		Total	
	2002	2001	2002	2001	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	-	71,335	70,364	76,337	70,364	147,672
Segment Assets	1,478	72,789	114,190	96,331	115,668	169,120
Capital expenditure	17	12,027	7	5,358	24	17,385

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	Group	
	2002	2001
	HK$'000	HK$'000
Auditors' remuneration	600	614
Cost of inventories sold	69,046	134,752
Staff costs (including directors' emoluments)	5,356	10,094
Revaluation deficit in respect of investment properties and leasehold land and buildings not covered by previous surplus	-	2,580
Bad debts written off	-	674
Depreciation		
Owned assets	1,265	4,123
Assets held under hire purchase contracts	234	175
Fixed assets written off	491	5,552
Provision for doubtful debts	-	2,992
Research and development costs	-	1,081
Loss on disposal of investment properties	600	-
Loss on disposal of other fixed assets	2,621	27
Operating leases rental in respect of land and buildings	21	3,587
Exchange loss	3	2,641
Reversal of write-down of inventories	-	139
Written-off of deposits	8,268	-
Written-off of interests in subsidiary	225	-

7. FINANCE COSTS

	Group	
	2002	2001
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	424	6,619
Interest element of hire purchase contract	59	39
	483	6,658

8. TAXATION

a) No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit for both years. The amount of taxation credited to the income statement for the year ended 31 March 2001 represents the overprovision in previous years.

In accordance with the income tax law in the PRC, the subsidiary operating in Beijing is subject to a tax rate of 33% on its taxable profit. The subsidiary is granted full exemption from PRC income tax for the first two years from its first profit-making year of operations followed by a 50% reduction in the income tax for the next three years. The subsidiary, which was established on 28 January 1999, has applied the year ended 31 December 1999 as the first profit-making year for the aforesaid tax holiday. For the year ended 31 March 2002, the subsidiary had no estimated assessable profit, and hence, no PRC income tax has been provided in the income statement (2001: Nil).

b) Tax recoverable in last year's consolidated balance sheet represented the amount of Hong Kong provisional profits tax paid.

9. DIRECTORS' REMUNERATION

Remuneration of the Company's directors disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Fees	-	100
Other emoluments		
Salaries (including benefits in kind)	1,477	4,970
Retirement scheme contribution	-	9
	1,477	5,079

No directors' fees was (2001: HK$100,000) paid to the independent non-executive directors during the year.

The remuneration of the directors is within the following bands:

	Group	
	2002	2001
	Number of directors	Number of directors
HK$Nil - HK$1,000,000	30	4
HK$1,000,001 - HK$1,500,000	1	-
HK$1,500,001 - HK$2,000,000	-	3
	31	7

Five of the above directors have resigned/retired prior to the year end.

During the year, 25 (2001: four) directors waived emoluments amounted to HK$Nil (2001: HK$250,000).

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2001: three) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other four (2001: two) individuals are as follows:

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

The emoluments of the four (2001: two) individuals with the highest emoluments are within the following bands:

	Group	
	2002	2001
	Number of individuals	Number of individuals
HK$Nil - HK$1,000,000	3	2
HK$2,000,001 - HK$2,500,000	1	-
	4	2

11. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The consolidated loss attributable to shareholders includes a loss of HK$8,902,000 (2001: loss of HK$2,080,000) which has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders of HK$24,519,000 (2001: HK$45,357,000) and the weighted average of 277,758,000 ordinary shares (2001: HK$204,274,000 shares after adjusting for the capitalisation in issue 2002) during the year.

Diluted loss per share for the years ended 31 March 2002 and 2001 were not disclosed as there were no dilutive potential ordinary shares.

13. FIXED ASSETS

	Group					Company
	Investment properties	Leasehold land and buildings	Furniture, fixtures and equipment	Motor vehicles	Total	Furniture, fixtures and equipment
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation						
At 1 April 2001	1,600	6,400	21,602	1,252	30,854	44
Additions	-	-	24	-	24	-
Disposals	(1,600)	(6,400)	-	-	(8,000)	-
Written off	-	-	(944)	-	(944)	(44)
At 31 March 2002	-	-	20,682	1,252	21,934	-
Accumulated depreciation						
At 1 April 2001	-	-	3,385	201	3,586	9
Charge for the year	-	79	1,186	234	1,499	4
Disposals	-	(79)	-	-	(79)	-
Written off	-	-	(453)	-	(453)	(13)
At 31 March 2002	-	-	4,118	435	4,553	-
Net book value						
At 31 March 2002	-	-	16,564	817	17,381	-
At 31 March 2001	1,600	6,400	18,217	1,051	27,268	35

The analysis of the cost or valuation of the above assets at 31 March 2002 is as follows:

At cost	-	-	20,682	1,252	21,934	-

The analysis of the cost or valuation of the above assets at 31 March 2001 is as follows:

At cost	-	-	21,602	1,252	22,854	44
At 31 March 2001 valuation	1,600	6,400	-	-	8,000	-
	1,600	6,400	21,602	1,252	30,854	44
Net book value of leased assets						
At 31 March 2002	-	-	-	761	761	-
At 31 March 2001	- -	-	-	995	995	-

14. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK$'000	HK$'000
Investments at cost:		
Unlisted shares	82,069	82,069
Amount due from subsidiaries	58,796	59,927
Amount due to a subsidiary	-	(53)
	140,865	141,943

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

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital	Percentage of equity attributable to the company Direct	Indirect	Principal activities
Beijing Durban Yu Chang Electronics Company Limited*	The PRC	US$500,000	-	95%	Dormant
Durban (Holdings) Limited	Hong Kong	Ordinary HK$1,000 Non-voting deferred shares HK$70,000,000	-	100%	Investment holding
Durban Technology Limited	Hong Kong	Ordinary HK$10,000	-	100%	Trading of audio and video products
Victor Century Limited	Hong Kong	Ordinary HK$500,000	-	52%	Assembly and distribution of digital cameras
Yue Hong Enterprises Limited	The British Virgin Islands ("BVI")	US$1,000	100%	-	Investment holding

* Not audited by Charles Chan, Ip & Fung CPA Ltd.

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.

15. AMOUNTS DUE FROM RELATED COMPANIES

	Group		
	Balance at end of year HK$'000	Balance at beginning of year HK$'000	Maximum outstanding balance during the year HK$'000
Beston Corporation Limited (Note a)	1,082	-	1,082
Uniconcept Limited (Note b)	3,544	-	3,544
Kin Sun Electrical Appliances Company Limited (Note c)	650	-	650
	5,276	-	

Notes:

a) Messrs Sin Woon Ching and Pei Chen Chi Kuen Delia are directors of Beston Corporation Limited.

b) Ms. Sin Woon Ching is the director of Uniconcept Limited.

c) Mr. Hung Kam Ming is the shareholder of Kin Sun Electrical Appliances Company Limited.

d) The amounts due from related companies are unsecured, interest free and have no fixed term of repayment.

16. INVENTORIES, AT COST

	Group	
	2002 HK$'000	2001 HK$'000
Raw materials	3,352	3,733
Work in progress	-	-
Finished goods	449	643
	3,801	4,376

At 31 March 2002, no inventories (2001: HK$Nil) are carried at net realisable value.

17. TRADE RECEIVABLES

	Group	
	2002	2001
	HK$'000	HK$'000
Trade receivables	74,410	97,988
Less: Provision for doubtful debts	(2,992)	(4,085)
	71,418	93,903

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

	Group	
	2002	2001
	HK$'000	HK$'000
Within 30 days	10,751	6,243
31 – 60 days	3,168	16,630
61 –90 days	1,298	6,795
over 90 days	59,193	68,320
Less: Provision for doubtful debts	(2,992)	(4,085)
	71,418	93,903

18. OBLIGATIONS UNDER HIRE PURCHASE CONTRACT

Analysis of the capital elements due under hire purchase contract is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Repayable within one year	313	314
Repayable in the second to fifth year inclusive	-	313
Repayable after the fifth year	-	-
Current portion of obligations under hire purchase contract	(313)	(314)
	-	313

19. TRADE PAYABLES

	Group	
	2002	2001
	HK$'000	HK$'000
Trade payables	-	1,980

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

	Group	
	2002	2001
	HK$'000	HK$'000
Within 30 days	-	20
31 – 60 days	-	30
61-90 days	-	1
Over 90 days	-	1,929
	-	1,980

20. ISSUED CAPITAL

	Company	
	2002	2001
	HK$'000	HK$'000
Authorised:		
600,000,000 ordinary shares of HK$0.1 each	60,000	60,000
Issued and fully paid:		
309,600,000 (2000: 215,000,000) ordinary shares of HK$0.1 each	30,960	21,500

a) During the year, the following number of shares were issued and allotted:

Date	No. of shares	Allotee	Subscription price
20 July 2001	21,500,000	Active Market Investment Ltd.	HK$0.20
20 August 2001	21,500,000	Active Market Investment Ltd.	HK$0.18
5 February 2002	40,000,000	Kingsway SW Securities Limited	HK$0.10
20 March 2002	11,600,000	Kingsway SW Securities Limited	HK$0.12

The shares were fully paid and ranked pari pasu with the existing shares. The excess over the par value of the shares was credited to the share premium account.

20. ISSUED CAPITAL (Continued)

b) 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.

21. RESERVES

a) Group

	Share premium	Revaluation reserve	Capital reserve	Exchange fluctuation reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2000	36,583	482	69,903	-	27,251	134,219
New issue of shares	3,000	-	-	-	-	3,000
Share issue expenses	(255)	-	-	-	-	(255)
Loss for the year	-	-	-	-	(45,357)	(45,357)
Exchange difference	-	-	-	(629)	-	(629)
Deficit on revaluation of leasehold land and buildings	-	(482)	-	-	-	(482)
At 31 March 2001 and 1 April 2001	39,328	-	69,903	(629)	(18,106)	90,496
New issue of shares	4,102	-	-	-	-	4,102
Share issue expenses	(522)	-	-	-	-	(522)
Loss for the year	-	-	-	-	(24,519)	(24,519)
	42,908	-	69,903	(629)	(42,625)	69,557

21. RESERVES (Continued)

b) Company

	Share premium HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2000	36,583	81,869	361	118,813
New issue of shares	3,000	-	-	3,000
Share issue expenses	(255)	-	-	(255)
Loss for the year	-	-	(2,080)	(2,080)
At 31 March 2001 and 1 April 2001	39,328	81,869	(1,719)	119,478
New issue of shares	4,102	-	-	4,102
Share issue expenses	(522)	-	-	(522)
Loss for the year	-	-	(8,902)	(8,902)
At 31 March 2002	42,908	81,869	(10,621)	114,156

Notes: i) The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (a) it is, or would after the payment be, unable to pay its liabilities as they become due, or (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

ii) Distributable reserves of the Company at 31 March 2002 amounted to HK$71,248,000 (2001: HK$80,150,000).

iii) The capital reserve represents amounts of goodwill and negative goodwill remaining in consolidated reserves, arising from acquisitions of subsidiaries were HK$12,067,000 (positive goodwill) and HK$81,970,000 (negative goodwill) as at 1 April 2001 and 31 March 2002 respectively. Such goodwill is stated at cost.

22. RELATED PARTY TRANSACTIONS

During the year, the Group has disposed of investment property to a company controlled by one of the directors at the consideration of HK$1,000,000 and incurred loss of HK$600,000.

23. ULTIMATE HOLDING COMPANY

The directors regard Active Market Investments Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company. Subsequent to the year end, Arko Resources Limited, a company incorporated in the British Vrigin Islands, has become the ultimate holding company of the Company.

24. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Company entered into a subscription agreement with Cheng Chak Wai Allen on 10 December 2002 for subscription of 55,000,000 new shares at a price of HK$0.10 per share which represent approximately 17.76% of the existing issued share capital of the Company and approximately 15.09% of the issued share capital of the Company as enlarged by the subscription respectively. The net proceeds of the subscription will be used for additional working capital of the Company.