1. Principal Accounting Policies

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and with accounting standards issued by the Hong Kong Society of Accountants.

(a) Basis of consolidation

(i) The consolidated financial statements incorporated the financial statements of the Company and its subsidiaries made up to 31 March each year with the exception of those excluded from consolidation as disclosed in Note 23.

(ii) The results of subsidiaries which are acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

(iii) Where a subsidiary operates under severe restrictions which significantly impair control by the Group over its assets and operations for the foreseeable future, the subsidiary is excluded from the consolidation from the date on which the restrictions come into force. When the relevant restrictions are removed, the results of the relevant subsidiary are included in the consolidation profit and loss account from the effective date of removal of restrictions.

(iv) The results of unconsolidated subsidiaries are accounted for by the Group to the extent of dividend received and receivable during the year. The Group's investments in unconsolidated subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value.

(v) All significant inter-company transactions and balances within the Group are eliminated on consolidation.

(vi) Minority interest represents the interests of outside members in the operating results and net assets of subsidiaries.

(vii) Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration is credited to reserves.

1. Principal Accounting Policies (Continued)

(b) Investments in subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value.

(c) Joint venture

A joint venture is a contractual arrangement where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's interests in jointly controlled entities are included under long term investments and are stated at cost less provision for permanent diminution in value.

The results of jointly controlled entities incorporated into the accounts of the Group on the following basis:

(i) using equity accounting method if the Group holds more than 50% equity interests in the joint venture and is in a position to exercise significant influence over its management;

(ii) otherwise, the results of the joint venture are accounted for by the Group on the basis of dividend received and receivable during the year.

(d) Depreciation

Depreciation is provided to write off the cost of fixed assets over their estimated useful lives, using the straight line method, at the following annual rates:

	Per annum
Furniture and fixtures	20%
Computer equipment	$33^1/_3$%
Machinery	10-20%
Moulds	20-$33^1/_3$%
Motor vehicles	20%

Amortisation of leasehold land is calculated to write off its cost over the unexpired period of the lease on a straight line basis.

Depreciation of leasehold buildings/improvements is calculated to write off their costs on the straight line basis over the unexpired periods of the leases or their expected useful lives, whichever is shorter.

1. Principal Accounting Policies (Continued)

(e) 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.

No amortisation is charged in respect of investment properties which are held on leases with unexpired terms of more than 20 years.

Investment properties are stated at their open market value based on an annual professional valuation at the balance sheet date. Increases in valuation are credited to the investment property revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously debited.

(f) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating lease. Rentals applicable to such operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(g) Finance leases

Leases that substantially transfer to the Group all the rewards and risks of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the profit and loss account in proportion to the capital balances outstanding.

Assets held under financial leases are depreciated over the shorter of their estimated useful lives or lease periods.

1. Principal Accounting Policies (Continued)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is assigned to individual items using the standard costing method, which approximates actual cost and is arrived as follows:

(i) Raw material – invoiced prices plus procurement costs.

(ii) Work in progress and finished goods – cost of direct materials and where applicable, direct labour and an appropriate proportion of variable and fixed production overheads.

Net realisable value is the price at which inventories can be sold in the normal course of business after allowance for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition.

(i) Accounts receivable

Provision is made against accounts receivable to the extent which they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(j) Other investments

The Group's interests in companies other than subsidiaries and associated companies are shown as other investments and are stated at cost, less any provision made to the extent that the directors consider there is a significant permanent diminution in value.

(k) Short-term investments

Short-term investments in listed shares are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities are recognised in the profit and loss account. Gains or losses on disposal of trading securities, representing the differences between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

1. Principal Accounting Policies (Continued)

(l) Foreign currencies transactions

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Profits and losses resulting from the above translation policy are included in the profit and loss account for the year.

The financial statements of overseas subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with as a movement in reserves.

(m) Deferred taxation

Deferred taxation is accounted for at the current tax rate 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 to be payable or recoverable in the foreseeable future.

(n) Retirement benefit costs

The Group's contributions to the defined contribution retirement benefit scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(p) Revenue recognition

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

Interest income is recognised on a time proportion basis.

1. Principal Accounting Policies (Continued)

(q) Land acquired for development

Land acquired for development is carried at cost, less any provision considered necessary by the directors. Cost includes all development expenditure, interest charges capitalised and other direct cost attributable to such land.

2. Turnover and Revenue

The Group engages in the manufacturing and selling of magnetic media products, property holding and related services. Revenue recognised during the year is as follows:

	2001	2000
	HK$'000	HK$'000
Turnover		
Sales of goods	**54,251**	70,877
Other revenue		
Interest income	**2,095**	3,288
Rental income	**140**	–
Dividend income	**17**	–
Unrealised loss in short-term investments	**(606)**	–
Total revenue	**55,897**	74,165

3. Operating (Loss)/Profit

	2001 HK$'000	2000 HK$'000
Operating (loss)/profit is arrived at after charging: –		
Auditors' remuneration		
– Current year	302	288
– Underprovision for prior years	5	183
	307	471
Depreciation and amortisation:		
– Owned fixed assets	9,596	5,526
– Fixed assets held under finance leases	125	125
	9,721	5,651
Loss on disposal of fixed assets	4	305
Operating lease payments	847	1,415
Retirement benefit costs	199	447
Staff costs (excluding directors' remuneration)	7,148	6,569
Net exchange loss	4,432	1,722

4. Finance Costs

	2001 HK$'000	2000 HK$'000
Borrowing costs comprising:		
Interest on bank loans, other loans and overdraft wholly payable within five years	2,126	3,038
Interest element of finance lease payments	49	49
	2,175	3,087

5. Taxation

(a) No provision for Hong Kong and overseas profits tax has been made in the financial statements for the current year as the Group has no assessable profits for the year. The Group did not have taxation payable as at 31 March 2001.

The amount in the profit and loss account represented an underprovsion of Hong Kong taxation for previous year.

(b) At 31 March 2001, the major components of unprovided/unrecognised deferred tax assets of the Group are as follows:

	2001	2000
	HK$'000	HK$'000
Tax effect of timing differences attributable to:		
Tax losses	1,533	1,315
Accelerated depreciation allowance	(103)	(134)
	1,430	1,181

The Company did not have any material unprovided deferred taxation as at 31 March 2001.

6. (Loss)/Profit attributable to Shareholders

Included in the loss of HK$17,997,000 (2000: profit of HK$92,933,000) attributable to the shareholders of the Company is a loss of HK$1,141,000 (2000: loss of HK$3,880,000), which is dealt with in the Company's own accounts.

7. (Loss)/Earnings per Share

The calculation of (loss)/earnings per share is based on the consolidated loss attributable to shareholders for the year of HK$17,997,000 (2000: profit of HK$92,933,000) and on 3,305,718,800 (2000: 3,305,718,800) shares in issue during the year. The Company has no potential dilutive ordinary shares that were outstanding during the two years ended 31 March 2001.

8. Fixed Assets (Group)

(a)

	Investment properties HK$'000	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Machinery and moulds HK$'000	Motor vehicles HK$'000	Total HK$'000
AT COST								
At 1/4/2000	–	44,669	2,724	4,682	845	80,694	3,707	137,321
Exchange adjustments	–	–	–	(5)	–	–	(24)	(29)
Additions	5,071	–	–	17	54	30	243	5,415
Disposals	–	–	–	(30)	(51)	–	(48)	(129)
At 31/3/2001	5,071	44,669	2,724	4,664	848	80,724	3,878	142,578
ACCUMULATED DEPRECIATION								
At 1/4/2000	–	2,873	1,579	3,888	594	59,270	2,706	70,910
Exchange adjustments	–	–	–	(1)	–	–	(3)	(4)
Charge for the year	–	1,111	290	385	107	7,620	208	9,721
Written back on disposals	–	–	–	(20)	(45)	–	(18)	(83)
At 31/3/2001	–	3,984	1,869	4,252	656	66,890	2,893	80,544
NET BOOK VALUE								
At 31/3/2001	5,071	40,685	855	412	192	13,834	985	62,034
At 31/3/2000	–	41,796	1,145	794	251	21,424	1,001	66,411

8. Fixed Assets (Group) (Continued)

(b) All land and buildings of the Group are held for own use. The net book value of investment properties, land and buildings held by the Group at 31 March 2001 is analysed as follows:

	2001 HK$'000	2000 HK$'000
Investment properties, land and buildings held in Hong Kong under		
– long term leases	**34,021**	34,706
Investment properties, land and buildings held outside Hong Kong under		
– freehold interest	**5,071**	–
– short term leases	**6,664**	7,090
	45,756	41,796

(c) At 31 March 2001, the net book value of fixed assets held by the Group under finance leases was HK$291,357 (2000: HK$416,000).

(d) At 31 March 2001, land and buildings situated in Hong Kong with net book value of HK$34,021,000 (2000: HK$34,706,000) were pledged to a bank to secure bank loans granted to the Group.

9. Interests in Subsidiaries

	Company	
	2001 HK$'000	2000 HK$'000
Unlisted shares, at cost	**52,214**	38,675
Amounts due from subsidiaries	**197,641**	189,463
Less: Provision for permanent diminution in value	**(57,287)**	(57,111)
	192,568	171,027

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

9. Interests in Subsidiaries (Continued)

The following is a summary of the principal subsidiaries of the Company which, in the opinion of the directors, were significant to the results of the year or formed a substantial portion of the net assets of the Group as at 31 March 2001:

	Country of incorporation	Issued and fully paid-up capital or capital contribution	Effective equity interest 2001	Effective equity interest 2000	Nature of business/ place of operation
Direct subsidiaries:					
Benelux Property Development (Shanghai) Limited *	People's Republic of China	US$5,000,000	**100%**	100%	Property investment in the People's Republic of China
Benelux (Far East) Company Limited	Hong Kong	Ordinary HK$100	**100%**	100%	Manufacture and trading of magnetic media products and related equipment in Hong Kong
Sunshine Worldwide Holdings Limited *	British Virgin Islands	US$1,735,801	**100%**	100%	Property development in Australia
South Perfect International Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment in a joint venture in the People's Republic of China
Sunshine Universal Development Limited	British Virgin Islands	US$1	**100%**	100%	Investment in securities listed in Singapore and the United States of America
Happy Universal Investment Limited	British Virgin Islands	US$1	**100%**	100%	Property investment in Australia

9. Interests in Subsidiaries (Continued)

	Country of incorporation	Issued and fully paid-up capital or capital contribution	Effective equity interest 2001	Effective equity interest 2000	Nature of business/ place of operation
Indirect subsidiaries:					
Benelux International Electronics Co. Ltd. *	People's Republic of China	US$10,000,000	**100%**	100%	Manufacture and trading of magnetic media products in the People's Republic of China
Benelux (Yingde) Electronics Manufacturing Co. Ltd. *	People's Republic of China	HK$20,000,000	**100%**	100%	Manufacture of magnetic media products in the People's Republic of China
Formula Ten Limited	Hong Kong	Ordinary HK$1,000	**100%**	100%	Property holding in Hong Kong

* *audited by Certified Public Accountants other than BKR Lew & Barr Limited*

10. Retirement Benefit Costs

The Group contributes to a defined contribution retirement benefit scheme for all employees who fulfilled the required service period. Pursuant to the scheme, the Group is required to make monthly contribution to the scheme at a rate of 5% or 10% of basic salary. Employees contribute 5% of their basic salaries.

The retirement benefit scheme costs charged to the profit and loss account represent contributions payable by the Group to the scheme.

The Group's contributions are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Forfeited contributions of HK$165,000 were utilised during the year and the remaining unutilised balance of the forfeited contribution as at 31 March 2001 is amounted to HK$72,000.

11. Land acquired for Development

	Group 2001 HK$'000	Group 2000 HK$'000
Land outside Hong Kong held under long term lease	**59,433**	59,201
Land outside Hong Kong held under medium term lease	**21,087**	23,155
	80,520	82,356

Details of land acquired for development are as follows:

Location	Site area (sq.m.)	Gross floor area (sq.m.)	Lease term	Percentage of interest	Type	Estimated completion date
89-91 Boyce Road, Maroubra, NSW2065, Australia. (Lot No. Lot 1 DP630863)	1,248	3,930	Medium	100	Residential	Year 2002 (Completion: 7.5 %)
27 Qiu, Chongtang Cun Liuli Town, Pudong District, Shanghai, The People's Republic of China	32,268	47,900	Long	100	Residential	Construction work to be commenced

At 31 March 2001, the accumulated interests capitalised, taxes and other development expenses included in land acquired for development amounted to approximately HK$8,122,000 (2000: HK$4,888,000).

Note: Lease term: Long = Lease not less than 50 years; Medium = Lease less than 50 years but not less than 10 years.

12. Investment in a Joint Venture

	Group 2001 HK$'000	Group 2000 HK$'000
Unlisted shares, at cost	**4,216**	4,216

The joint venture is to operate a winery in form of a jointly controlled entity in the People's Republic of China. The joint venture agreement was entered into by South Perfect International Limited, a wholly owned subsidiary. The particulars of the jointly controlled entity are as follows:

Name of Entity	Business structure	Principal place of operation	Place of incorporation	Principal activity	Percentage of interest held
Qingdao Fushiwang Grape Wine Co., Limited	Incorporated entity	The People's Republic of China	Qingdao, The People's Republic of China	Wine production and distribution	19%

Pursuant to the joint venture agreement, South Perfect International Limited ("SPIL") has agreed to take up a 55% equity interest in this joint venture. The capital contributions by the Group up to 31 March 2001 amounted to 19% of the paid up capital of the joint venture. There has been no change in the equity interest percentage during the year. The Group is committed to fulfil the capital contribution to 55% by October 2001. In computing the equity interest percentage held by the Group, it included the revaluation surplus of SPIL's capital contribution on the joint venture. This revaluation surplus arising on the revaluation has not been taken up by the Group in its financial statements. As the Group does not have significant influence over the daily operation of the joint venture business at present stage, the result of this joint venture is accounted for on a dividend received and receivable basis.

13. Inventories

	Group 2001 HK$'000	Group 2000 HK$'000
Finished goods	**3,804**	4,495
Raw materials	**4,764**	1,088
Work in progress	**1,730**	2,447
	10,298	8,030

14. Short-term Investments

	Group	
	2001	2000
	HK$'000	HK$'000
Shares listed in Singapore at market value	**1,635**	–
Shares listed in the United States of America at market value	**3,226**	–
	4,861	–

15. Directors' and Senior Management's Emoluments

The aggregate amounts of emoluments of the directors disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Fees – independent non-executive directors	**85**	–
Salaries, allowances and benefits in kind	**5,725**	5,714
Retirement benefit scheme contributions	**278**	260
	6,088	5,974

The number of directors whose emoluments fall within the following bands are as follows:

	Group	
	Number of directors	
	2001	2000
HK$0 – HK$1,000,000	**3**	1
HK$1,000,001 – HK$1,500,000	**1**	1
HK$1,500,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$2,500,000	**–**	–
HK$2,500,001 – HK$3,000,000	**–**	–
HK$3,000,001 – HK$3,500,000	**–**	–
HK$3,500,001 – HK$4,000,000	**1**	1

No director waived emoluments in respect of the year ended 31 March 2001.

The five individuals whose emoluments were the highest in the Group for the year include three (2000: two) directors. Their emoluments have already been disclosed in the analysis presented above.

15. Directors' and Senior Management's Emoluments (Continued)

The details of the remuneration of the remaining two (2000: three) non-directors, highest paid employees are as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,088**	1,423
Retirement benefit scheme contribution	**20**	51
	1,108	1,474

16. Share Capital

	2001	2000
	HK$'000	HK$'000
Authorised:		
4,000,000,000 (2000: 4,000,000,000) shares of HK$0.10 each	**400,000**	400,000
Issued and fully paid:		
3,305,718,800 (2000: 3,305,718,800) shares of HK$0.10 each	**330,572**	330,572

Pursuant to the share option scheme of the Company, the directors may, at their discretion, grant to directors and employees of the Group options to subscribe for shares in the capital of the Company. The maximum number of shares that may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company.

No options were granted during the year and there were no outstanding share options as at 31 March 2001.

17. Reserves

	Share premium HK$'000	Capital reserve HK$'000	Reserve on consolidation HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Group						
Balance at 1 April 1999	233,973	4,931	17,583	(5,622)	(465,258)	(214,393)
Subsidiaries excluded from consolidation (Note 23)	–	(4,931)	(17,583)	1,124	–	(21,390)
Translation difference	–	–	–	(612)	–	(612)
Profit for the year	–	–	–	–	92,933	92,933
Balance at 31 March 2000	233,973	–	–	(5,110)	(372,325)	(143,462)
Balance at 1 April 2000	233,973	–	–	(5,110)	(372,325)	(143,462)
Translation difference	–	–	–	(1,693)	–	(1,693)
Loss for the year	–	–	–	–	(17,997)	(17,997)
Balance at 31 March 2001	233,973	–	–	(6,803)	(390,322)	(163,152)

	Share premium HK$'000	Capital reserve HK$'000	Reserve on consolidation HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Company						
Balance at 1 April 1999	233,973	–	–	–	(358,512)	(124,539)
Loss for the year	–	–	–	–	(3,880)	(3,880)
Balance at 31 March 2000	233,973	–	–	–	(362,392)	(128,419)
Balance at 1 April 2000	233,973	–	–	–	(362,392)	(128,419)
Loss for the year	–	–	–	–	(1,141)	(1,141)
Balance at 31 March 2001	233,973	–	–	–	(363,533)	(129,560)

At 31 March 2001, the Company did not have any distributable reserves (2000: Nil).

18. Bank and other Borrowings

(a) Bank loans and overdrafts

At 31 March 2001, the Group had bank loans and overdrafts outstanding as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Bank loans – secured	**15,460**	21,347
Bank overdrafts – secured	**1,597**	79
	17,057	21,426
Less: amount repayable within one year included under current liabilities	**(6,972)**	(8,640)
Non-current portion	**10,085**	12,786

	Group	
	2001	2000
	HK$'000	HK$'000
The above balance is repayable as follows:		
– within one year	**6,972**	8,640
– in the second year	**3,025**	2,692
– in the third to fifth years inclusive	**7,060**	10,094
	17,057	21,426

(b) Obligations under finance leases

	Group	
	2001	2000
	HK$'000	HK$'000
Amount repayable within one year included under current liabilities	**(16)**	(206)

19. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of (loss)/profit before taxation to net cash (outflow)/inflow from operating activities.

	2001	2000
	HK$'000	HK$'000
(Loss)/profit before taxation	**(17,997)**	93,000
Reversal of net liabilities from consolidation	**–**	(97,150)
Write back of provision for impairment of fixed assets	**–**	(3,368)
Depreciation and amortisation	**9,721**	5,651
Loss on disposal of fixed assets	**4**	305
(Increase)/decrease in inventories	**(2,268)**	3,078
(Increase) in short-term investments	**(4,861)**	–
Decrease in accounts receivable and prepayments	**3,313**	7,178
Bank deposits pledged and cash held in custody by a firm of solicitors	**182**	1,776
(Decrease)/increase in accounts payable and accrued charges	**(144)**	704
Interest income	**(2,095)**	(3,288)
Dividend income	**(17)**	–
Interest paid	**2,126**	3,038
Interest element of finance lease payments	**49**	49
Net cash (outflow)/inflow from operating activities	**(11,987)**	10,973

(b) Analysis of changes in financing during the year

	Bank loans	**Obligations Under finance leases**
	HK$'000	HK$'000
Balance at 1 April 2000	21,347	206
Repayment of bank loans	(5,887)	(190)
Balance at 31 March 2001	15,460	16

20. Contingent Liabilities

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantee in respect of indebtedness of a subsidiary (Note 1)	**–**	–	**38,000**	38,000
Guarantee for securities trading of a subsidiary	**–**	–	**1,000**	1,000
Letter of credit issued	**–**	2,440	**–**	–
	–	2,440	**39,000**	39,000

Note 1. This is a purported guarantee which came to the attention of the directors in previous years and is in respect of the alleged indebtedness of a subsidiary to a sub-contractor as disclosed in Note 22 to the financial statements.

The Company denies liability to the sub-contractor under the purported guarantee but, out of prudence, the directors of the Company have made a decision to treat the purported guarantee as a contingent liability in the Company's financial statements.

21. Commitments

(a) Capital commitments

	Group	
	2001	2000
	HK$'000	HK$'000
Contracted but not provided for		
– Interest in a joint venture	10,838	12,436
– Acquisition of properties	2,583	–

21. Commitments (Continued)

(b) Operating lease commitments

At 31 March 2001, the Group had outstanding commitments under non-cancellable operating leases for office to make payments in the next year as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Leases expiring:		
– within one year	**54**	166
– in the second to fifth years inclusive	**240**	–
– after five years	**–**	–
	294	166

22. Litigation

As noted in previous years' audited financial statements, a claim was brought against a wholly owned subsidiary of the Group, Benelux Manufacturing Limited (In Liquidation) ("BML"), in July 1998 by its sub-contractor ("Sub-contractor"), Shenzhen Benelux Enterprise Co., Ltd., alleging that BML is liable for the payment of approximately HK$38 million, comprising charges in connection with the processing and assembling work rendered by the Sub-contractor and the breach of an alleged loan agreement relating to certain alleged letters of credit.

Provisional liquidators were appointed on 25 August 1999 by the High Court following a petition by the Sub-contractor for the winding up of BML. Subsequent to the year end, BML was put into compulsory liquidation on 28 April 2000.

The directors, after seeking legal advice, are of the opinion that the liquidation of BML will not have a material adverse effect on the Group. The investments in BML and the amounts due from BML brought forward had been fully provided for in previous years.

Save as disclosed above, there are no other material litigation or claims known to the directors pending or threatened against the Group.

23. Subsidiaries excluded from Consolidation

As disclosed in Note 22 Benelux Manufacturing Limited (In Liquidation) ("BML") was put into provisional liquidation in the previous year. The directors have given due and careful consideration of the impact of the liquidation of BML on the Group's operations and financial position and are of the opinion that it will not have a material adverse effect on the Group. As BML was put under severe restrictions which significantly impair control by the Company over BML's assets and operations, the directors considered it appropriate to exclude BML and the subsidiaries of BML from the consolidated financial statements from the date the provisional liquidators were appointed to BML.

The Group's share of the losses of BML and the subsidiaries of BML for the period from 1 April 1999 up to the date BML was excluded from consolidation in the amount of HK$1,221,000 had been dealt with in the consolidated profit and loss account for the year ended 31 March 2000 of the Group. The investments in and the amounts due from BML have been fully provided for in previous years.

Investments in BML and its subsidiaries are stated at cost less provision for permanent diminution in value.

	Group	
	2001	2000
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**365,868**	365,868
Less: Provision for permanent diminution in value	**(365,869)**	(365,869)
	–	–

23. Subsidiaries excluded from Consolidation (Continued)

Details of the subsidiaries excluded from consolidation are as follows:

	Country of incorporation	Issued and fully paid-up capital or capital contribution	Effective equity interest		Nature of business/ place of operation
			2001	2000	
Direct subsidiary:					
Benelux Manufacturing Limited (Note 1)	Hong Kong	Ordinary HK$100 Non-voting deferred HK$5,000,000	**100%**	100%	In Liquidation
Indirect subsidiaries:					
Prime Standard Limited (Note 2)	Hong Kong	Ordinary HK$100,000	**90%**	90%	Ceased operations
P.T. Beneluxindo (Note 3)	Indonesia	Ordinary US$10,000,000	**100%**	100%	Ceased operations
Benelux Manufacturing (N.I.) Limited (Note 4)	Northern Ireland	Ordinary £5,000,000	**100%**	100%	Dissolved

Note 1. Benelux Manufacturing Limited (In Liquidation) ("BML") is excluded from consolidation because severe restrictions which significantly impair control by the Group over BML's assets and operations.

Note 2. Prime Standard Limited ("PSL") which is a subsidiary of BML, is excluded from consolidation because the Group's control over PSL has been significantly impaired following the appointment of provisional liquidators to BML.

Note 3. P.T. Beneluxindo ("PTB") which is a wholly owned subsidiary of BML, is excluded from consolidation because the Group's control over PTB has been significantly impaired following the appointment of provisional liquidators to BML.

Note 4. In September 1996, the Group discontinued the operations of Benelux Manufacturing (N.I.) Limited ("BMNI") in Northern Ireland. Fixed assets and stocks were written down to their estimated recoverable amounts in that year. BMNI was put into members' voluntary liquidation on 13 April 1999, and was dissolved in August 1999. The write back of provision for impairment of fixed assets of HK$3,368,000 in the year ended 31 March 2000 represented the excess of provision made in previous years.

23. Subsidiaries excluded from Consolidation (Continued)

The net losses of subsidiaries not consolidated attributable to the Group are:

	2001 HK$'000	Previous years since acquisition HK$'000
Dealt with in the financial statements of the Group	**Nil**	(46,232)
Not dealt with in the financial statements of the Group	**Nil**	(244,391)

24. Reversal of Net Liabilities of Subsidiaries excluded from Consolidation

The net liabilities of subsidiaries excluded from consolidation for the year ended 31 March 2000 were as follows:

	HK$'000
Fixed assets	1,402
Unlisted shares, at costs	155,991
Less: Provision for permanent diminution in value	(155,991)
Other investment	14,598
Cash and bank balances	135
Net current liabilities excluding cash and bank balances	(91,895)
Release of capital reserve	(4,931)
Release of reserve on consolidation	(17,583)
Release of exchange reserve	1,124
Reversal of net liabilities of subsidiaries excluded from consolidation	(97,150)

Neither the Company nor any of the subsidiaries included in the consolidation has given any guarantee or undertaking with respect of the outstanding liabilities of the subsidiaries excluded from consolidation. The reversal of net liabilities is recognised as a revenue item on the consolidated profit and loss account.

SSAP 7 (Group Accounts) requires the use of equity accounting method from the date of exclusion to account for the results of subsidiaries excluded from consolidation. In the opinion of the directors, there is no profit or loss to be equity accounted for as the subsidiaries excluded are either in liquidation or had ceased operations.