1. General

The Company is a public limited company incorporated in Bermuda.

The Company is an investment holding company. Its subsidiaries are principally engaged in the business of manufacturing, trading of magnetic media products and related equipment, investing and developing properties in Australia and the People's Republic of China and investing in securities listed in Singapore and the United States of America.

2. 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. The financial statements are prepared under the historical cost convention.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases
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

The effect of adopting these new/revised standards is set out in the accounting policies below.

(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 28.

(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 and the restrictions are likely to remain 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.

2. Principal Accounting Policies (Continued)

(a) Basis of consolidation (Continued)

(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.

(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 of the joint venture.

Jointly controlled entity

Joint venture arrangement which involves the establishment of a separate entity in which each venturer has joint control over the economic activity of the entity is referred to as jointly controlled entity.

The Group's interests in jointly controlled entity is included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entity. The Group's share of post-acquisition results of jointly controlled entity is included in the consolidated profit and loss account.

2. Principal Accounting Policies (Continued)

(c) Joint venture (Continued)

Other joint venture arrangement

Investment made by means of joint venture structure, which does not result in the Group having joint control with the other venturers, is accounted for as follows:

(i) using equity method if the Group holds more than 20% equity interest in the joint venture; or

(ii) on the basis of dividend received and receivable during the year if the Group could exercise neither control nor significant influence.

(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.

(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 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.

2. Principal Accounting Policies (Continued)

(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.

(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 that 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, associated companies and joint ventures 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.

2. Principal Accounting Policies (Continued)

(k) Short-term investments

Short-term investments in listed shares are carried at fair value. At the balance sheet date, the net unrealised gains or losses arising from changes in the 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.

(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

Contributions are expensed as incurred and, except for the Mandatory Provident Fund, 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.

2. Principal Accounting Policies (Continued)

(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.

(q) Land acquired for development

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

Lease with unexpired period of not less than 50 years is classified as long term lease. Lease with unexpired period of less than 50 years but not less than 10 years is classified as medium term lease.

(r) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which are within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

3. Turnover and Revenue

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

	2002	2001
	HK$'000	HK$'000
Turnover		
Sales of goods	**37,055**	54,251
Other revenue		
Interest income	**513**	2,095
Rental income	**128**	140
Dividend income	**43**	17
Unrealised loss in short-term investments	**(1,455)**	(606)
Total revenues	**36,284**	55,897

4. Operating Loss

	2002 HK$'000	2001 HK$'000
Operating loss is arrived at after charging: –		
Auditors' remuneration		
– Current year	**296**	302
– Underprovision for prior years	**5**	5
	301	307
Depreciation and amortisation:		
– Owned fixed assets	**6,445**	9,596
– Fixed assets held under finance leases	**–**	125
	6,445	9,721
Loss on disposal of fixed assets	**3,698**	4
Operating lease payments	**317**	847
Retirement benefit costs	**404**	199
Staff costs (excluding directors' remuneration)	**9,498**	10,449
Net exchange (gain)/loss	**(2,476)**	4,432

5. Finance Costs

	2002 HK$'000	2001 HK$'000
Interest on bank overdraft, bank loans and other loans wholly repayable within five years	**993**	2,126
Interest element of finance lease payments	**4**	49
	997	2,175

6. 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 2002.

6. Taxation (Continued)

(b) At 31 March 2002, the major components of unprovided/unrecognised deferred tax assets of the Group are as follows:

	2002	2001
	HK$'000	HK$'000
Tax effect of timing differences attributable to:		
Tax losses	4,300	1,533
Accelerated depreciation allowance	(97)	(103)
	4,203	1,430

The Group's tax losses have not been recognised as deferred tax assets due to the unpredictability of future profit streams.

The Company did not have any material unprovided deferred taxation as at 31 March 2002.

7. Loss Attributable to Shareholders

Included in the loss of HK$18,408,000 (2001: loss of HK$17,997,000) attributable to the shareholders of the Company is a loss of HK$1,269,000 (2001: loss of HK$1,141,000), which is dealt with in the Company's own accounts.

8. Loss per Share

The calculation of loss per share is based on the consolidated loss attributable to shareholders for the year of HK$18,408,000 (2001: loss of HK$17,997,000) and on 330,571,880 (2001: 330,571,880) shares in issue during the year on the assumption that the capital reorganisation as further described in Note 19 would have been completed in the financial year ended 31 March 2001. The Company has no potential dilutive ordinary shares that were outstanding during the two years ended 31 March 2002 and 31 March 2001.

9. 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 1April 2001	5,071	44,669	2,724	4,664	848	80,724	3,878	142,578
Exchange adjustments	427	–	–	1	–	–	8	436
Additions	–	–	29	29	29	280	80	447
Disposals	(1,761)	–	(2,440)	(2,455)	(2)	(20,124)	(91)	(26,873)
At 31March 2002	3,737	44,669	313	2,239	875	60,880	3,875	116,588
ACCUMULATED DEPRECIATION								
At 1April 2001	–	3,984	1,869	4,252	656	66,890	2,893	80,544
Exchange adjustments	–	–	–	–	–	–	2	2
Charge for the year	–	1,111	232	145	35	4,651	271	6,445
Written back on disposals	–	–	(1,882)	(2,455)	(1)	(13,884)	(65)	(18,287)
At 31March 2002	–	5,095	219	1,942	690	57,657	3,101	68,704
NET BOOK VALUE								
At 31March 2002	3,737	39,574	94	297	185	3,223	774	47,884
At 31March 2001	5,071	40,685	855	412	192	13,834	985	62,034

(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 2002 is analysed as follows:

	2002 HK$'000	2001 HK$'000
Investment properties, land and buildings held in Hong Kong under		
– long term leases	**33,336**	34,021
Investment properties, land and buildings held outside Hong Kong under		
– freehold interest	**3,737**	5,071
– short term leases	**6,238**	6,664
	43,311	45,756

9. Fixed Assets (Group) (Continued)

(c) At 31 March 2002, the net book value of fixed assets held by the Group under finance leases was HK$ Nil (2001: HK$291,357).

(d) At 31 March 2002, land and buildings situated in Hong Kong with net book value of HK$33,336,000 (2001: HK$34,021,000) were pledged to a bank to secure bank mortgage loan granted to the Group.

10. Interests in Subsidiaries

	Company	
	2002	2001
	HK$'000	HK$'000
Unlisted shares, at cost	**52,215**	52,214
Amounts due from subsidiaries	**207,604**	197,641
Less: Provision for permanent diminution in value	**(61,557)**	(57,287)
	198,262	192,568

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

The following is a summary of the principal subsidiaries of the Company that, 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 2002:

	Country of incorporation/ operation	Issued and fully paid-up capital or capital contribution	Effective equity interest 2002	Effective equity interest 2001	Nature of business
Direct subsidiaries:					
Benelux Property Development (Shanghai) Limited *	The People's Republic of China	US$5,000,000	**100%**	100%	Property development
Benelux (Far East) Company Limited	Hong Kong	Ordinary HK$100	**100%**	100%	Trading of magnetic media products and related equipment
Sunshine Worldwide Holdings Limited *	British Virgin Islands/ Australia	US$1,735,801	**100%**	100%	Property development

10. Interests in Subsidiaries (Continued)

	Country of incorporation/ operation	Issued and fully paid-up capital or capital contribution	Effective equity interest 2002	2001	Nature of business
Direct subsidiaries: (Continued)					
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/ Hong Kong	US$1	**100%**	100%	Trading of securities
Happy Universal Investment Limited	British Virgin Islands/ Australia	US$1	**100%**	100%	Property investment
Formula Ten Limited	Hong Kong	Ordinary HK$1,000	**100%**	100%	Property holding
Diamond Lane Pty Limited *	Australia	Ordinary AUD1	**100%**	–	Farming of Angora goats
Indirect subsidiaries:					
Benelux International Electronics Co. Ltd. *	The People's Republic of China	US$10,000,000	**100%**	100%	Manufacture and trading of magnetic media products
Benelux (Yingde) Electronics Manufacturing Co. Ltd. *	The People's Republic of China	HK$20,000,000	**100%**	100%	Manufacture of magnetic media products. Ceased operation in March 2002 and liquidated in June 2002.

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

11. Retirement Benefit Costs

The Group operates two defined contribution schemes in Hong Kong which comply with all the respective requirements under the Occupational Retirement Schemes Ordinance (ORSO) and Mandatory Provident Fund Ordinance (MPF). All the assets under the schemes are held separately from the Group under independently administered funds. Contributions to the MPF Scheme follow the MPF Ordinance while contributions to the ORSO Scheme are at a rate of 5% or 10% of basic salary.

Contributions are charged to the profit and loss account as incurred and are reduced by contributions forfeited from employees under the ORSO scheme who left the Group prior to vesting fully in their contributions. During the year, forfeited contributions of HK$108,863 (2001: HK$165,000) were utilised to offset the required contributions of the company to the retirement scheme. At 31 March 2002, the Company has remaining unutilised balance of the forfeited contribution amounted to HK$37,500 (2001: HK$72,000).

12. Land Acquired for Development

	Group	
	2002	2001
	HK$'000	HK$'000
Land outside Hong Kong held under long term lease	**58,372**	59,433
Land outside Hong Kong held under medium term lease	**24,122**	21,087
	82,494	80,520

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	Sold after balance sheet date
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 2002, the accumulated interests capitalised, taxes and other development expenses included in land acquired for development amounted to approximately HK$9,194,435 (2001: HK$8,122,000). The above land acquired in Australia was sold subsequent to the balance sheet date as disclosed in note 30 to the financial statements.

13. Interest in a Joint Venture

	Group	
	2002	2001
	HK$'000	HK$'000
Unlisted shares, at cost	**8,116**	4,216
Share of losses	**(604)**	–
Share of net assets	**7,512**	4,216

The joint venture operates a winery in the People's Republic of China. The joint venture agreement was entered into by South Perfect International Limited ("SPIL"), a wholly owned subsidiary of the Group, in the form of a jointly controlled entity subject to the fulfilment of certain requirements by SPIL as mentioned below. The particulars of the joint venture 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	32% (2001: 19%)

The financial statements of this joint venture entity are not audited by BKR Lew & Barr Limited.

Pursuant to the joint venture agreement, SPIL has agreed to take up a 55% equity interest in this joint venture. The risk and reward shared by SPIL is based on the percentage of equity interest held by it at the relevant time. The joint venture agreement provides that, before SPIL has fulfilled its obligation in contributing the capital in this joint venture to 55%, SPIL is restricted to control the management of the joint venture entity or to exercise any control over the Board of Directors of the joint venture entity.

The capital contributions by the Group up to 31 March 2002 amounted to 32% of the paid up capital of the joint venture. In computing the equity interest percentage held by the Group, the assets revaluation surplus of HK$1,645,800 of SPIL's capital contribution to the joint venture is included. On the ground of prudence, this revaluation surplus arising on capital verification has not been taken up by the Group in its financial statements.

Included in the Group's share of losses of joint venture entity HK$604,314 was an amount of HK$373,499 representing the last year's loss of the joint venture entity now taken up by the Group. Such loss was the result of adjustments to the audited accounts of the joint venture entity made subsequent to the Group's announcement of last year's results.

14. Inventories

	Group	
	2002	2001
	HK$'000	HK$'000
Finished goods	**1,269**	3,804
Raw materials	**4,588**	4,764
Work in progress	**755**	1,730
	6,612	10,298

All inventories were carried at cost.

15. Short-term Investments

	Group	
	2002	2001
	HK$'000	HK$'000
Shares listed in Singapore	**1,522**	1,635
Shares listed in the United States of America	**–**	3,226
	1,522	4,861

16. Accounts Receivable and Prepayments

Included in the accounts receivable and prepayments are trade receivables of HK$159,000 (2001: HK$705,000). The Group maintains a defined credit policy. For sales of magnetic media products and related equipment, the Group allows an average credit period of 30 days to 90 days to its customers. The aged analysis of accounts receivable at the balance sheet date is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Less than 30 days	**125**	606
1 to 3 months	**34**	88
Over 3 months	**–**	11
	159	705

17. Accounts Payable and Accrued Charges

Included in the accounts payable and accrued charges are trade payables. The aged analysis of accounts payable and accrued charges at the balance sheet date is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Less than 30 days	**154**	196
1 to 3 months	**132**	140
Over 3 months	**146**	179
	432	515

18. 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:

	2002	2001
	HK$'000	HK$'000
Fees – independent non-executive directors	**120**	85
Salaries, allowances and benefits in kind	**4,684**	5,725
Retirement benefit scheme contributions	**259**	278
Discretionary bonus	**500**	–
	5,563	6,088

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

	Number of directors	
	2002	2001
HK$0 – HK$1,000,000	**4**	3
HK$1,000,001 – HK$1,500,000	**–**	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
HK$4,000,001 – HK$4,500,000	**1**	–

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

The five individuals whose emoluments were the highest in the Group for the year include three (2001: three) directors. Their emoluments have already been disclosed in the analysis presented above.

The details of the remuneration of the remaining two (2001: two) non-directors, highest paid employees are as follows:

	2002	2001
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**798**	1,088
Retirement benefit scheme contribution	**37**	20
	835	1,108

During the year, no emoluments were paid by the Group to any director or employee as an inducement to join or upon joining the Group.

19. Share Capital

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 31 March 2001 and 31 March 2002	4,000,000,000	400,000
Issued and fully paid:		
At 31 March 2001	3,305,718,800	330,572
Share consolidation	(2,975,146,920)	(297,515)
At 31 March 2002	330,571,880	33,057

19. Share Capital (Continued)

Pursuant to a special resolution passed at the special general meeting held on 24 October 2001, the issued share capital of the company decreased from HK$330,571,880 to HK$33,057,188 by carrying out (i) the Capital Reorganisation Scheme and (ii) the Share Consolidation Scheme. The details of the Capital Reorganisation Scheme and the Share Consolidation Scheme are as follows:

(i) Capital Reorganisation Scheme

(a) the nominal value of each of the ordinary shares in issue before the Capital Reorganisation was reduced by HK$0.09 from HK$0.10 to HK$0.01 (the Reduction of Capital) and the nominal value of each of the authorised but unissued ordinary shares was subdivided into 10 unissued ordinary shares of HK$0.01 each (the Subdivision of Capital). The authorised share capital of the Company immediately preceding the implementation of the Capital Reorganisation Scheme was HK$400,000,000 comprising 4,000,000,000 ordinary shares of HK$0.10 each, of which 3,305,718,800 ordinary shares were in issue and credited as fully paid. On the basis of 3,305,718,800 ordinary shares in issue, at the time of the Reduction of Capital, a credit of HK$297,514,692 arised as a result of the Reduction of Capital pursuant to the Capital Reorganisation Scheme and the issued share capital of the company was reduced from HK$330,571,880 to HK$33,057,188. Upon completion of the Reduction of Capital and Subdivision of Capital, the authorised share capital of the Company remained at HK$400,000,000, with 40,000,000,000 ordinary shares of HK$0.01 each, of which 3,305,718,800 ordinary shares were in issue and credited as fully paid with 36,694,281,200 as unissued ordinary shares;

(b) the credit of HK$297,514,692 arising as a result of the Capital Reorganisation was applied towards eliminating part of the accumulated losses of the Group which stood at approximately HK$390,322,000 at 31 March 2001; and

(c) the balance of the share premium account which stood at approximately HK$233,973,000 at the time of implementation of the Capital Reorganisation Scheme was reduced by HK$223,973,000 to HK$10,000,000 and the credit arising therefrom was further applied towards eliminating the remaining part of the accumulated losses of the Group at 31 March 2001 from (b) above. Having fully eliminated all accumulated losses, the balance of approximately HK$131,166,000 was then credited to the Contributed Surplus Account of the Group.

(ii) Share Consolidation Scheme

Upon the completion of the Capital Reorganisation Scheme, a consolidation of the ordinary shares was effected pursuant to which every 10 issued and unissued ordinary shares were consolidated into 1 ordinary share. Immediately following the implementation of the Share Consolidation Scheme, the authorised share capital of the Company remained at HK$400,000,000 comprising 4,000,000,000 ordinary shares of HK$0.10 each of which 330,571,880 ordinary shares were in issue and credited as fully-paid.

20. Share Option Scheme

The Company had previously approved a share option scheme that allowed the directors to grant, at their discretion, options to directors and employees of the Group to subscribe for shares in the capital of the Company.

The share option scheme expired on 30 June 2001. No options were granted under the share option scheme upon its expiration during the year. There were no outstanding share options as at 31 March 2002.

21. Reserves

	Share Premium	Contributed Surplus Account	Exchange Reserve	Other Reserve (Note a)	Accumulated Losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Group						
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)
Balance at 1 April 2001	233,973	–	(6,803)	–	(390,322)	(163,152)
Translation difference	–	–	1,773	–	–	1,773
Capital reorganisation	(223,973)	131,166	–	–	390,322	297,515
Loss for the year	–	–	–	–	(18,408)	(18,408)
Balance at 31 March 2002	10,000	131,166	(5,030)	–	(18,408)	117,728

21. Reserves (Continued)

	Share Premium HK$'000	Contributed Surplus Account HK$'000	Exchange Reserve HK$'000	Other Reserve (Note a) HK$'000	Accumu-lated Losses HK$'000	Total HK$'000
Company						
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)
Balance at 1 April 2001	233,973	–	–	–	(363,533)	(129,560)
Capital reorganisation	(223,973)	131,166	–	26,789	363,533	297,515
Loss for the year	–	–	–	–	(1,269)	(1,269)
Balance at 31 March 2002	10,000	131,166	–	26,789	(1,269)	166,686

Note:

(a) The other reserve of the company represents the net balance arising from the transfer of the share premium account of the company and the credit balance from the reduction of capital after elimination with the accumulated losses of the company brought forward and transfer to the contributed surplus account pursuant to the Capital Reorganisation Scheme implemented during the year as described in note 19.

22. Bank and Other Borrowings

(a) Bank loans and bank overdrafts

At 31 March 2002, the Group had bank loans and overdrafts outstanding as follows:

	Group 2002 HK$'000	Group 2001 HK$'000
Bank loans – secured	**9,976**	15,460
Bank overdrafts – secured	**2,841**	1,597
	12,817	17,057
Less: amount repayable within one year included under current liabilities	**(6,030)**	(6,972)
Non-current portion	**6,787**	10,085

22. Bank and Other Borrowings (Continued)

(a) Bank loans and bank overdrafts (Continued)

	Group	
	2002	2001
	HK$'000	HK$'000
The above balances are repayable as follows:		
– within one year	**6,030**	6,972
– in the second year	**3,324**	3,025
– in the third to fifth years inclusive	**3,463**	7,060
	12,817	17,057

Interest is charged on the outstanding bank loans and bank overdraft balances at 4.125% to 10.25% per annum (2001: 8% to 11.75% per annum).

(b) Obligations under finance leases

	Group	
	2002	2001
	HK$'000	HK$'000
Amount repayable within one year included under current liabilities	**–**	16

23. Pledge of Assets

At 31 March 2002, the Group has pledged certain assets as listed below to secure the general banking facilities and bank mortgage loans granted to the Group:

	2002	2001
	HK$'000	HK$'000
Bank deposits	**5,535**	6,240
Land and buildings at net book value	**33,336**	34,021

24. Note to the Consolidated Cash Flow Statement

(a) Reconciliation of loss before taxation to net cash outflow from operating activities

	2002 HK$'000	2001 HK$'000
Loss before taxation	(18,408)	(17,997)
Share of losses of joint venture	604	–
Depreciation and amortisation	6,445	9,721
Loss on disposal of fixed assets	3,698	4
Decrease/(increase) in inventories	3,686	(2,268)
Decrease/(increase) in short-tem investments	3,339	(4,861)
Decrease in accounts receivable and prepayments	661	3,313
Decrease in bank deposits pledged and cash held in custody by a firm of solicitors	705	182
Decrease in accounts payable and accrued charges	(1,698)	(144)
Decrease in dividend payable	(64)	–
Interest income	(513)	(2,095)
Dividend income	(43)	(17)
Interest paid	993	2,126
Interest element of finance lease payments	4	49
Net cash outflow from operating activities	(591)	(11,987)

(b) Analysis of changes in financing during the year

	Bank loans HK$'000	Obligations under finance leases HK$'000
Balance at 1 April 2001	15,460	16
Repayment of bank loans	(5,484)	(16)
Balance at 31 March 2002	9,976	–

25. Contingent Liabilities

	Group and Company	
	2002	2001
	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
	39,000	39,000

Note 1. This is the purported guarantee which came to the attention of the directors with respect of the alleged indebtedness of a subsidiary to a sub-contractor as disclosed in Note 27 to the financial statements.

The Company denies any 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.

26. Commitments

(a) Capital commitments

	Group	
	2002	2001
	HK$'000	HK$'000
Contracted but not provided for		
– Interest in a joint venture	**6,942**	10,838

(b) Operating lease commitments

At 31 March 2002, the Group had the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group	
	2002	2001
	HK$'000	HK$'000
– not later than one year	**172**	240
– later than one year and not later than five years	**132**	40
	304	280

26. Commitments (Continued)

(b) Operating lease commitments (Continued)

The above 2001 comparative figures have been restated to conform to the current year presentation in accordance with the revised SSAP 14 "Leases" issued by the Hong Kong Society of Accountants.

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

27. 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. BML was put into compulsory liquidation subsequently 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.

28. Subsidiaries Excluded from Consolidation

As disclosed in Note 27 Benelux Manufacturing Limited (In Liquidation) ("BML") was put into liquidation in 1999. 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 of appointment of the provisional liquidators.

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

28. Subsidiaries Excluded from Consolidation (Continued)

	Group 2002 HK$'000	Group 2001 HK$'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)
	–	–

Details of the subsidiaries excluded from consolidation are as follows:

	Country of incorporation/ operation	Issued and fully paid-up capital or capital contribution	Effective equity interest 2001	Effective equity interest 2000	Nature of business
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

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.

28. Subsidiaries Excluded from Consolidation (Continued)

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

	2002	Previous years since acquisition
	HK$'000	HK$'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)

29. Segment Information

The business activities of the Group can be catergorised into sales of magnetic media products and related equipment and sales of by-products. Segment information in respect of these activities is as follows:

RESULTS

	2002		2001	
	Turnover	Contribution to operating loss	Turnover	Contribution to operating loss
	HK$'000	HK$'000	HK$'000	HK$'000
By principal activities:				
Sales of magnetic media products and related equipment	36,433	(14,784)	53,320	(8,992)
Sales of by-products	622	(1,252)	931	(8,476)
	37,055	(16,036)	54,251	(17,468)
Other (loss)/revenue		(771)		1,646
		(16,807)		(15,822)
By geographical markets:				
Hong Kong	728	(2,986)	1,836	(3,459)
USA and Canada	2,509	(4,829)	16,121	(5,121)
People's Republic of China	31,992	(2,818)	35,159	(3,172)
Australia and New Zealand	–	(1,888)	–	(5,355)
Others	1,826	(3,515)	1,135	(361)
	37,055	(16,036)	54,251	(17,468)
Other (loss)/revenue		(771)		1,646
		(16,807)		(15,822)

29. Segment Information (Continued)

FINANCIAL POSITIONS

	2002	2001
	HK$'000	HK$'000
Assets		
Segment assets:		
– Sales of magnetic media products and equipment	33,512	54,676
– Sales of by-products	12,953	9,969
– Other income	6,140	15,462
Unallocated corporate assets	124,057	119,208
	176,662	199,315
Liabilities		
Segment liabilities:		
– Sales of magnetic media products and equipment	6,681	10,367
– Sales of by-products	565	533
– Other income	92	43
Unallocated corporate liabilities	10,584	12,997
	17,922	23,940
Net Assets	158,740	175,375

The financial statements do not include any disclosures of the carrying amount of segment assets and liabilities analysed by geographical area.

30. Post Balance Sheet Events

Subsequent to the balance sheet date, Sunshine Worldwide Holdings Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase contract for sale of land in Australia with an independent third party on 15 July 2002. The consideration for the sale was Australian dollars 6,650,000, equivalent to HK$29,020,600. The net book value of the disposed land at 31 March 2002 was HK$24,122,427.

Benelux (Yingde) Electronics Manufacturing Co. Ltd. ("BYD"), a wholly owned indirect subsidiary of the Company, discontinued its operation in March 2002 and was put into voluntary liquidation. The liquidation was completed in June 2002. Upon the cessation of business, the microcassette production facilities of BYD were transferred to a fellow subsidiary operating in Changzhou, the People's Republic of China.