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, wine producing in the People's Republic of China and investing in securities listed in Singapore and the United States of America.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time the following new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants:

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

The effect of adopting these new/revised SSAPs is resulted in the introduction of the statement of changes in equity and a change in the format of presentation of the cash flow statements as well as additional disclosures. These changes have not had any material effect on the results for the current or prior year. Accordingly, no prior year adjustment has been required.

3. 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.

(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 32.

(ii) The results of subsidiaries which are 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.

(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 income statement from the effective date of removal of restrictions.

3. 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 any identified impairment loss.

(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 income statement.

3. 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) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less depreciation, amortisation and any identified impairment.

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

	Per annum
Furniture and fixtures	20%
Computer equipment	$33\frac{1}{3}$%
Machinery	10-20%
Moulds	20-$33\frac{1}{3}$%
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.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

(e) IMPAIRMENT

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) IMPAIRMENT (CONTINUED)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(f) 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 income statement. Any subsequent increases are credited to the income statement to the amount previously debited.

On disposal of an investment property, the balance on the investment property, revaluation reserve attributable to that property is transferred to the income statement.

(g) PROPERTIES UNDER DEVELOPMENT

Properties under development are stated at cost less any identified impairment loss. Cost comprises the cost of the land together with direct costs attributable to the development of the properties and borrowing costs capitalised during the period of development. Properties under development which are due for completion more than one year from the balance sheet date are shown as non-current assets while properties under development which are due for completion within one year from the balance sheet date are shown as current assets.

(h) 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 income statement on a straight line basis over the lease term.

(i) 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(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 in proportion to the capital balances outstanding.

(j) 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 income statement. Gains or losses on disposal of trading securities, representing the differences between the net sale proceeds and the carrying amounts, are recognised in the income statement as they arise.

(k) 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 materials – 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.

(l) 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.

(m) FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gain and losses arising on translation are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas subsidiaries are translated at exchange rate prevailing on the balance sheet date. Income and expenses items are translated at the average exchange rates for the year. Translation differences arising, if any, are classified as equity and transferred to the Group's translation difference. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(n) TAXATION

The charge of taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under the liability method, is recognized as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

(o) 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.

(p) 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 income statement in the year in which they are incurred.

(q) REVENUE RECOGNITION

(i) Sale of goods is recognised when goods are delivered and title has passed.

(ii) Interest income is recognised on a time proportion basis.

(iii) Sale of land is recognised when the title has passed or when the sale contract signed become unconditional, whichever is earlier.

(iv) Profit on pre-sales of property under development for sale is recognised over the course of the development. On the basis, profit recognised on properties pre-sold during the accounting period is calculated by reference to the proportion of construction costs incurred up the accounting date to total estimated construction costs to completion, with due allowance for contingencies.

(r) LISTED AND UNLISTED INVESTMENTS

Listed investments held for long-term purpose and trading purpose are stated at fair value, which is generally the market value, at the balance sheet date. Changes in fair value of the investments held for long-term purpose are recognised directly in the long-term investment revaluation reserve in the period in which the changes occur, until the investments are sold of otherwise disposed of, or until the value of the investments is determined to be impaired, at which time the cumulative gain or loss is accounted for in the income statement for the year. Gains and losses on listed investments held for trading purpose are included in the income statement in the period in which they arise.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(r) LISTED AND UNLISTED INVESTMENTS (CONTINUED)

Unlisted investments held for long-term purpose are stated at cost less any identified impairment by reference to the net asset value of the investments, at the balance sheet date. Changes in fair value of the investments are recognised directly in the long-term investment revaluation reserve in the period in which the changes occur, until the investments are sold or otherwise disposed of, or until the value of the investments is determined to be impaired, at which time the cumulative gain or loss is accounted for in the income statement for the year.

Upon disposal of long-term listed and unlisted investments, the gain or loss representing the difference between net sale proceeds and the carrying amount of the relevant investment together with any surplus/deficit transferred from the long-term investment revaluation reserve is dealt with in the income statement. Impairment loss previously transferred from the long-term investment revaluation reserve to the income statement is written back in the income statement when the circumstances and events leading to the impairment cease to exist.

(s) LAND ACQUIRED FOR DEVELOPMENT

Land acquired for development is carried at cost, less any identified impairment loss. 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.

(t) 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.

4. TURNOVER AND REVENUES

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

	2003	2002
	HK$'000	*HK$'000*
Turnover		
Sales of magnetic media products	**24,208**	37,055
Sales of property under development	**31,774**	–
Sales of wine	**4,270**	–
	60,252	37,055
Other revenues		
Interest income	**382**	513
Rental income	**117**	128
Dividend income	**24**	43
Unrealised loss in short-term investments	**(125)**	(1,455)
	398	(771)
Total revenues	**60,650**	36,284

5. LOSS FROM OPERATIONS

	2003	2002
	HK$'000	*HK$'000*
Loss from operations is arrived at after charging:		
Auditors' remuneration		
– Current year	**305**	296
– (Over)/underprovision for prior years	**(2)**	5
	303	301
Depreciation and amortisation	**5,883**	6,445
Impairment loss recognised	**21,371**	–
Loss on disposal of property, plant and equipment	**178**	3,698
Operating lease payments	**–**	317
Retirement benefit costs	**(374)**	404
Staff costs (excluding directors' remuneration)	**7,758**	9,498
Net exchange gain	**(1,285)**	(2,476)

6. FINANCE COSTS

	2003	2002
	HK$'000	*HK$'000*
Interest on bank overdraft, bank loans and other loans wholly repayable within five years	**539**	993
Interest element of finance lease payments	**–**	4
	539	997

7. TAXATION

(a) Taxation in the income statement represents the Hong Kong profits tax underprovided for prior years. 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 2003.

(b) At 31 March 2003, the major components of unprovided/unrecognised deferred tax assets of the Group are as follows:

	2003	2002
	HK$'000	*HK$'000*
Tax effect of timing differences attributable to:		
Tax losses	**4,822**	4,300
Accelerated depreciation allowance	**–**	(97)
	4,822	4,203

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 2003.

8. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Included in the loss of HK$33,700,000 (2002: loss of HK$18,408,000) attributable to the shareholders of the Company is a loss of HK$7,520,000 (2002: loss of HK$1,269,000), which is dealt with in the Company's own accounts.

9. LOSS PER SHARE

The calculation of loss per share is based on the consolidated loss attributable to shareholders for the year of HK$33,700,000 (2002: loss of HK$18,408,000) and on 330,571,880 (2002: 330,571,880) shares in issue during the year. The Company has no potential dilutive ordinary shares that were outstanding during the two years ended 31 March 2003 and 31 March 2002.

10. PROPERTY, PLANT AND EQUIPMENT (GROUP)

	Investment properties	Land and buildings	Leasehold improvements	Furniture and fixtures	Computer equipment	Machinery and moulds	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
AT COST								
At 1 April 2002	3,737	44,669	313	2,239	875	60,880	3,875	116,588
Exchange adjustments	535	–	4	5	–	2	27	573
Additions	–	8,193	748	27	49	13,188	779	22,984
Disposals	(4,272)	–	(83)	(75)	–	(253)	(747)	(5,430)
At 31 March 2003	–	52,862	982	2,196	924	73,817	3,934	134,715
ACCUMULATED DEPRECIATION								
At 1 April 2002	–	5,095	219	1,942	690	57,657	3,101	68,704
Exchange adjustments	–	–	–	2	–	–	9	11
Charge for the year	–	1,276	107	188	75	3,953	284	5,883
Impairment loss recognised in the income statement	–	21,371	–	–	–	–	–	21,371
Written back on disposals	–	–	(41)	(52)	–	(10)	(606)	(709)
At 31 March 2003	–	27,742	285	2,080	765	61,600	2,788	95,260
NET BOOK VALUE								
At 31 March 2003	–	25,120	697	116	159	12,217	1,146	39,455
At 31 March 2002	3,737	39,574	94	297	185	3,223	774	47,884

10. PROPERTY, PLANT AND EQUIPMENT (GROUP) (CONTINUED)

(a) 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 2003 is analysed as follows:

	2003	2002
	HK$'000	*HK$'000*
Investment properties, land and buildings held in Hong Kong under		
– long term leases	**11,280**	33,336
Investment properties, land and buildings held outside Hong Kong under		
– freehold interest	**–**	3,737
– short term leases	**5,884**	6,238
– medium term lease	**7,956**	–
	25,120	43,311

(b) At 31 March 2003, land and buildings situated in Hong Kong with net book value of HK$11,280,000 (2002: HK$33,336,000) and land and buildings situated in the PRC with net book value of HK$7,956,000 (2002: Nil) were pledged to banks to secure bank loans granted to the Group.

11. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**52,215**	52,215
Amounts due from subsidiaries	**198,581**	207,604
Less: Provision for permanent diminution in value	**(61,668)**	(61,557)
	189,128	198,262
Amounts due to subsidiaries	**(5,571)**	–
	183,557	198,262

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

11. INTERESTS IN SUBSIDIARIES (CONTINUED)

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 2003:

	Country of incorporation/ operation	Issued and fully paid-up capital or capital contribution	Effective equity interest 2003	Effective equity interest 2002	Principal activity
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 and in the process of voluntary winding up
South Perfect International Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Investment in a winery 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 and investment holding
Formula Ten Limited	Hong Kong	Ordinary HK$1,000	**100%**	100%	Property holding
Diamond Lane Pty Limited *	Australia	Ordinary AUD1	**100%**	100%	Farming of Angora goats

11. INTERESTS IN SUBSIDIARIES (CONTINUED)

	Country of incorporation/ operation	Issued and fully paid-up capital or capital contribution	Effective equity interest 2003	2002	Principal activity
Indirect subsidiaries:					
Benelux International Electronics Co. Limited *	The People's Republic of China	US$10,000,000	**100%**	100%	Manufacturing and trading of magnetic media products
Qingdao Fushiwang Grape Wine Co. Limited *	The People's Republic of China	US$3,890,000	**55%**	32%	Wine production and distribution
上海佳遠計算機銷售有限公司 *	The People's Republic of China	RMB500,000 *(Note 1)*	**100%**	100%	Trading of magnetic media products and computer accessories

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

None of the subsidiaries had issued any debt securities at 31 March 2003 or at any time during the year.

Note 1: The capital of the subsidiary company is held by two staff of the subsidiary company for and on behalf of the Company. Declarations of trust have been entered into in respect of the holding of interest of the subsidiary company in favour of the Company.

12. LAND ACQUIRED FOR DEVELOPMENT

	Group 2003 HK$'000	2002 HK$'000
Land outside Hong Kong held under long term lease	**58,372**	58,372
Land outside Hong Kong held under medium term lease	**24,122**	24,122
	82,494	82,494
Less: Transferred to property under development	**(58,372)**	–
Transferred to cost of sales	**(24,122)**	–
	–	82,494

13. INTEREST IN A JOINT VENTURE

	Group	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**8,116**	8,116
Share of losses	**(1,267)**	(604)
	6,849	7,512
Transferred to interests in subsidiaries	**(6,849)**	–
Share of net assets	**–**	7,512

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.

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 before the Group acquired more than 50% interest in this joint venture entity 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.

On 31 December 2002, the Group contributed further capital into the joint venture enabling the Group to reach 55% equity interest. Upon the Group obtaining the controlling interest of 55%, the joint venture is treated as a subsidiary company of the Group; the interest in the joint venture was transferred to interest in a subsidiary.

The capital contributions by the Group prior to 31 December 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.

Particulars of the joint venture entity is set out in Note 11 "Interests in Subsidiaries".

14. LONG TERM INVESTMENT

	Group	
	2003	2002
	HK$'000	*HK$'000*
Unlisted investment shares, at cost	**1,170**	–

15. PROPERTY UNDER DEVELOPMENT

	Group	
	2003	2002
	HK$'000	*HK$'000*
The property under development is due for completion:		
Within one year	**70,919**	–

The property under development situated in the PRC is held under the following lease terms:

	2003	2002
	HK$'000	*HK$'000*
Long term leases	**70,919**	–

At the balance sheet date, the property under development included interest capitalised of approximately HK$264,000 (2002: Nil).

Particulars of property under development are as follows:

Project name	**Approximate Site area**	**Approximate Gross Floor Area (GFA)**	**Development status**	**Completed GFA**	**GFA under construction**	**Interest held by group**	**Estimated completion date**
	Sq. m.	*Sq. m.*		*Sq. m.*	*Sq. m.*		
上海浦東 錦華東南苑	32,268	47,900	Under development	6,946	40,954	100%	End of year 2003

16. INVENTORIES

	Group	
	2003	2002
	HK$'000	*HK$'000*
Finished goods	**4,084**	1,269
Raw materials	**9,276**	4,588
Work in progress	**1,738**	755
	15,098	6,612

All inventories were carried at cost.

17. SHORT-TERM INVESTMENTS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Shares listed in Singapore	**–**	1,522

18. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Included in the accounts receivable and prepayments are trade receivables of HK$2,714,000 (2002: HK$159,000). The Group maintains a defined credit policy. For sales of magnetic media products, and wine, 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	
	2003	2002
	HK$'000	*HK$'000*
Less than 30 days	**833**	125
1 to 3 months	**1,614**	34
Over 3 months	**267**	–
	2,714	159

19. ACCOUNTS PAYABLE AND ACCRUED CHARGES

Included in the accounts payable and accrued charges are trade payables of HK$5,412,000 (2002: HK$432,000). The aged analysis of accounts payable and accrued charges at the balance sheet date is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Less than 30 days	**2,271**	154
1 to 3 months	**1,789**	132
Over 3 months	**1,352**	146
	5,412	432

20. BANK AND OTHER BORROWINGS

BANK LOANS AND BANK OVERDRAFTS

At 31 March 2003, the Group had bank loans and overdrafts outstanding as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Bank loans – secured	**42,270**	9,976
Bank overdrafts – secured	**–**	2,841
	42,270	12,817
Less: Amount repayable within one year included under current liabilities	**(42,270)**	(6,030)
Non-current portion	**–**	6,787

	Group	
	2003	2002
	HK$'000	*HK$'000*
The above balances are repayable as follows:		
– within one year	**42,270**	6,030
– in the second year	**–**	3,324
– in the third to fifth years inclusive	**–**	3,463
	42,270	12,817

Interest is charged on the outstanding bank loans and bank overdraft balances at 4% to 6.3375% per annum (2002: 4.125% to 10.25 per annum).

21. PLEDGE OF ASSETS

At 31 March 2003, the Group has pledged certain assets as listed below to secure the general banking facilities and bank loans granted to the Group:

	2003	2002
	HK$'000	*HK$'000*
Bank deposits	**6,197**	5,535
Land and buildings at net book value	**19,236**	33,336

22. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 31 March 2002 and 31 March 2003	4,000,000,000	400,000
Issued and fully paid:		
At 31 March 2002 and 31 March 2003	330,571,880	33,057

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 (a) the Capital Reorganisation Scheme and (b) the Share Consolidation Scheme. The details of the Capital Reorganisation Scheme and the Share Consolidation Scheme are as follows:

(a) CAPITAL REORGANISATION SCHEME

(i) 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). 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.

(ii) 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

(iii) 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 (a)(ii) 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.

(b) 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.

23. SHARE OPTION SCHEME

At the balance sheet date, there were no share option schemes executed.

24. RESERVES

	Share Premium	Contributed Surplus Account	Exchange Reserve	Other Reserve *(Note 1)*	Accumulated Losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group						
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
Balance at 1 April 2002	10,000	131,166	(5,030)	–	(18,408)	117,728
Translation difference	–	–	1,275	–	–	1,275
Loss for the year	–	–	–	–	(33,700)	(33,700)
Balance at 31 March 2003	10,000	131,166	(3,755)	–	(52,108)	85,303
Company						
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
Balance at 1 April 2002	10,000	131,166	–	26,789	(1,269)	166,686
Loss for the year	–	–	–	–	(7,520)	(7,520)
Balance at 31 March 2003	10,000	131,166	–	26,789	(8,789)	159,166

Note 1: 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 ended 31 March 2002.

25. 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:

	2003	2002
	HK$'000	*HK$'000*
Fees – independent non-executive directors	**110**	120
Salaries, allowances and benefits in kind	**11,224**	4,684
Retirement benefit scheme contributions	**233**	259
Discretionary bonus	**–**	500
	11,567	5,563

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

	Number of directors	
	2003	2002
HK$0 – HK$1,000,000	**7**	4
HK$4,000,001 – HK$4,500,000	**–**	1
HK$8,500,001 – HK$9,000,000	**1**	–

The five individuals whose emoluments were the highest in the Group for the year include four (2002: three) directors. Their emoluments have already been disclosed in the analysis presented above.

The details of the remuneration of the remaining one (2002: two) non-director, highest paid employee is as follows:

	2003	2002
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**444**	798
Retirement benefit scheme contribution	**20**	37
	464	835

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.

26. 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 income statement 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$37,500 (2002: HK$108,863) were utilised to offset the required contributions of the company to the retirement scheme. At 31 March 2003, the Company had no remaining unutilised balance of the forfeited contribution (2002: HK$37,500).

27. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, Formula Ten Limited, a wholly owned subsidiary of the Group, entered into a sale and purchase contract for sale of land and buildings in Hong Kong with an independent third party. The net book value of the disposed land and buildings at 31 March 2003 was HK$11,280,000.

28. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) ACQUISITION OF SUBSIDIARY

	HK'000
Net assets acquired:	
Property, plant and equipment	22,604
Accounts receivable, deposits and prepayments	3,171
Inventories	9,907
Cash and bank balances	8,962
Accounts payable and accrued charges	(10,928)
Bank loans	(7,285)
Minority interests	(11,894)
	14,537
Elimination of interest in a joint venture originally held by the Group	8,116
Net assets acquired	6,421
Satisfied by:	
Cash	6,421

(b) ANALYSIS OF THE NET CASH INFLOW ARISING ON ACQUISITIONS:

Cash consideration	(6,421)
Cash and bank balances acquired	8,962
Net cash inflow in respect of the acquisition	2,541

29. CONTINGENT LIABILITIES

	Group and Company	
	2003	2002
	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
	38,000	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 31 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.

30. COMMITMENTS

(a) CAPITAL COMMITMENTS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Contracted but not provided for		
– Interest in a joint venture	**–**	6,942
– Long-term investment	**1,560**	–

(b) OPERATING LEASE COMMITMENTS

At 31 March 2003, the Group had the total of future minimum lease payments under non–cancellable operating leases for each of the following periods:

	Group	
	2003	2002
	HK$'000	*HK$'000*
– not later than one year	**132**	172
– later than one year and not later than five years	**–**	132
	132	304

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

31. 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., Limited, 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.

32. SUBSIDIARIES EXCLUDED FROM CONSOLIDATION

As disclosed in Note 31 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.

	Group	
	2003	2002
	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)
	–	–

32. SUBSIDIARIES EXCLUDED FROM CONSOLIDATION (CONTINUED)

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 impaired 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.

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

	2003 ***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)

33. SEGMENT INFORMATION

The business activities of the Group can be categorised into manufacturing and trading of magnetic media products, property development, wine producing and other strategic investment projects. Segment information in respect of these activities is as follows:

RESULTS

	2003		2002	
	Turnover	**Contribution to operating profit/(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	**23,171**	**(7,652)**	36,433	(14,784)
Sales of by-products of magnetic media	**–**	**–**	622	(1,252)
Sales of property under development	**31,774**	**3,778**	–	–
Sales of wine	**4,270**	**628**	–	–
Others	**1,037**	**(29,639)**	–	–
	60,252	**(32,885)**	37,055	(16,036)
Other revenues/(loss)		**398**		(771)
		(32,487)		(16,807)
By geographical markets:				
Hong Kong	**241**	**(29,556)**	728	(2,986)
USA and Canada	**2,518**	**(1,979)**	2,509	(4,829)
People's Republic of China	**26,053**	**(2,806)**	31,992	(2,818)
Australia and New Zealand	**30,329**	**2,250**	–	(1,888)
Others	**1,111**	**(794)**	1,826	(3,515)
	60,252	**(32,885)**	37,055	(16,036)
Other revenues/(loss)		**398**		(771)
		(32,487)		(16,807)

33. SEGMENT INFORMATION (CONTINUED)

FINANCIAL POSITIONS

	2003	2002
	HK$'000	*HK$'000*
Assets		
Segment assets:		
– Sales of magnetic media products and equipment	**25,740**	33,512
– Sales of by-products of magnetic media	**–**	12,953
– Sales of property under development	**107,778**	–
– Sales of wine	**47,660**	–
– Other income	**–**	6,140
Unallocated corporate assets	**21,414**	124,057
	202,592	176,662
Liabilities		
Segment liabilities:		
– Sales of magnetic media products and equipment	**3,910**	6,681
– Sales of by-products of magnetic media	**–**	565
– Sales of property under development	**31,739**	–
– Sales of wine	**21,970**	–
– Other income	**–**	92
Unallocated corporate liabilities	**6,875**	10,584
	64,494	17,922
Net Assets	**138,098**	158,740

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