

## Management Discussion and Analysis

### BUSINESS REVIEW

For the year ended 31st March, 2004, the Group recorded a turnover of HK\$26,723,000, an increase of 1.36 times to HK\$11,315,000 of the previous year. Loss for the year was HK\$7,502,000 (2003: HK\$5,957,000). The Group's entire turnover was derived from the trading of computer-related products and consumer electronic products to customers in the PRC and Hong Kong, which was established in December 2002. As such, the turnover and results of the previous year reflected the revenue and performance for a period of approximately four months only.

In the year under review, the Group's average turnover on a monthly basis in the first half of the year showed a decrease from last year under the impact of SARS epidemic. During the second half of the year, the Group successfully leveraged on the economic recovery to improve business and recorded a gradual upturn of business.

### FINANCIAL REVIEW

The Group raised HK\$70,000,000 from the issuance of ordinary shares and preference shares to Mogul which was completed on 22nd March, 2004. HK\$65,000,000 of the proceeds has been used for the redemption of all the Company's preference shares issued in 1996 and 1999 and the settlement of specific liabilities of the Group. The remaining amount of HK\$5,000,000 is used as working capital of the Group. Details of the subscription of shares and the redemption of preference shares were set out in the Company's circular dated 25th February, 2004.

On 22nd March, 2004, the Company, Mogul and Excel Advance Limited ("Excel Advance"), the Company's wholly-owned subsidiary, entered into a loan agreement, pursuant to which Mogul agreed to grant to the Company and Excel Advance a revolving loan facility of up to HK\$15,000,000. The facility shall be used exclusively by the Company or Excel Advance as funding for the working capital of the Company or Excel Advance (including but not limited to development and investment in new businesses of the Company and Excel Advance). It bears interest at 2% over the six-month Hong Kong Interbank Offered Rate, calculated on a daily basis, and the interest is repayable in arrears by the Company or Excel Advance on the last day of each consecutive six-month periods after the first drawdown of the loan facility, or the last repayment date in case of full drawdown of the loan pursuant to the loan facility. All outstanding loans together with the accrued interest will be due on 22nd March, 2009. Repayment of the loan and the related interest will be guaranteed by the Company (limited to the amount of HK\$15,000,000), and will be secured by a first legal fixed charge made over the equity interest of the Company in Excel Advance and by a first floating charge made over all of Excel Advance's assets.

During the year, the Group did not make any drawdown under the loan agreement.

As at 31st March, 2004, the Group had bank balances and cash of HK\$10,408,000, mainly denominated in Hong Kong dollar and United States dollar and deposited in savings accounts and fixed accounts at major banks for interest returns. As at 31st March, 2004, the current ratio of the Group was 1.31 (2003: 0.13). No gearing ratio was presented as there was no long term liabilities or loans due from the Group.

### MATERIAL DISPOSAL OF SUBSIDIARIES DURING THE YEAR

Pursuant to an agreement dated 23rd February, 2004, the Company disposed of certain directly and indirectly wholly-owned subsidiaries to an independent third party at a consideration of HK\$1. Since the former directors were not able to access the accounts and records of certain subsidiaries established in the PRC, the Company has sold these subsidiaries in order to streamline its group structure. The disposal was passed at the SGM held on 19th March, 2004 and was completed on the same day.

## Management Discussion and Analysis

### CONTINGENT LIABILITIES

The Current Directors noted from an announcement dated 29th April, 2002 made by the former directors that a verbal demand notice was received from one of the creditors demanding immediate settlement of approximately RMB9,600,000 alleged outstanding debts. However, while the Current Directors have reviewed the records of the Company and conducted internal investigations after their appointment, they did not have any other information available to verify the existence of or the validity of the claim but will continue to monitor and review the situation from time to time.

Save for the abovementioned, the Group and the Company did not have any contingent liabilities based on the information available for inspection to the Current Directors.

### MANAGEMENT AND EMPLOYEES

As at 31st March, 2004, the Group had ten directors. In addition, the Group provided supporting services for the Group's trading business through an agent. During the year, the directors of the Group did not receive any directors' emoluments.