

Notes to the Financial Statements

For the year ended 31st March, 2004

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The ultimate holding company is Mogul Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 27.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated income statement was prepared based on the limited financial information left by the former management, and other information and records available to the directors who were appointed on 29th March, 2004 (the "Current Directors"). The Current Directors were unable to ensure the completeness of the books and records of certain subsidiaries of the Company provided by the former management. Accordingly, the Current Directors were unable to obtain sufficient information to satisfy themselves regarding the matters described below.

- (a) The Current Directors were unable to satisfy themselves as to whether the net liabilities of the Group as at 31st March, 2003 were free from material misstatement. The Current Directors were also unable to satisfy themselves as to whether the comparative figures as at 31st March, 2003 and for the year then ended are free from material misstatement.
- (b) During the year, an impairment loss of HK\$1,400,000 was recognised in the consolidated income statement in respect of other investment held by a subsidiary which was disposed of during the year. However, as the Current Directors do not have any financial information concerning this subsidiary, the Current Directors were unable to satisfy themselves as to whether this impairment loss is free from material misstatement. As a result, the consolidated income statement for the year may be misclassified as between the impairment loss on other investment and the gain on disposal of subsidiaries.
- (c) In March 2004, the Company disposed of the following subsidiaries, namely:
 - innovestor.com Ltd.
 - netalone.com Management Ltd.
 - netalone.com (Nominees) Ltd.
 - netalone.com (BVI) Ltd.
 - Leap Strategic Holdings Ltd.

Upon completion of the disposal, a gain on disposal of subsidiaries amounting to HK\$475,000 was recognised in the consolidated income statement. However, as the Current Directors do not have any financial information concerning these subsidiaries, the results of these subsidiaries were not recognised in the consolidated income statement for the year except that an impairment loss of HK\$1,400,000 was recognised in the consolidated income statement for the year in respect of an other investment held by one of these subsidiaries. Accordingly, the gain on disposal was calculated as the difference between the consideration received by the Company and the opening net liabilities of these subsidiaries adjusted for the impairment loss recognised. Accordingly, the Current Directors were unable to satisfy themselves the classification between the gain on disposal and other relevant income statement account balances in the consolidated income statement for the year ended 31st March, 2004.

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3. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, Statement of Standard Accounting Practice ("SSAP") No. 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Revenue recognition

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

Interest income on bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Notes to the Financial Statements

For the year ended 31st March, 2004

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Other investments

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its 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 loss is recognised as an expense immediately.

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.

Leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the relevant lease term.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rate of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in net profit or loss for the period.

Notes to the Financial Statements

For the year ended 31st March, 2004

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

On consolidation, the assets and liabilities of the Group's overseas operations are translated at the rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expense in the period in which the operations are disposed of.

Retirement benefits scheme

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense as they fall due.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the Financial Statements

For the year ended 31st March, 2004

5. TURNOVER

Turnover represents the net amounts received and receivable for goods sold, less returns and allowances, during the year.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group is principally engaged in the trading of computer-related products and consumer electronic products to customers in the mainland of the People's Republic of China (the "PRC") and Hong Kong. Accordingly, no analysis of segmental information is presented.

7. OTHER OPERATING INCOME

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	2	—
Others	—	60
	2	60

8. LOSS FROM OPERATIONS

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Auditors' remuneration	265	200
Operating lease rentals in respect of		
Land and buildings	74	31
Equipment and others	71	37

Notes to the Financial Statements

For the year ended 31st March, 2004

9. DIRECTORS' EMOLUMENTS

The emoluments of the directors and the five highest paid individuals are summarised as follows:

(a) Directors' emoluments

	Group and Company	
	2004	2003
	HK\$'000	HK\$'000
Fees	—	—
Other emoluments:		
Salaries and other benefits	—	270
Contributions to retirement benefit scheme	—	—
	—	270

No directors had waived any emoluments during the years ended 31st March, 2004 and 2003.

(b) Employees' emoluments

In 2003, of the five individuals with the highest emoluments in the Group, two were directors of the Company whose emoluments are included in (a) above. The emoluments of the remaining three individuals in 2003 were as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Salaries and other benefits	—	327
Contributions to retirement benefit scheme	—	—
Compensation for loss of office	—	48
	—	375

Their emoluments were within the following band:

	2004	2003
	Number of employees	Number of employees
Nil to HK\$1,000,000	—	3

Notes to the Financial Statements

For the year ended 31st March, 2004

10. FINANCE COSTS

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on amount due to a shareholder wholly repayable within five years	—	56

11. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for both years.

The charge for the year can be reconciled to the loss per the income statement as follows:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	(7,502)	(5,957)
Tax at the domestic income tax rate of 17.5% (2003: 16%)	(1,313)	(953)
Tax effect of income that are not taxable in determining taxable profit	(84)	(38)
Tax effect of expenses that are not deductible in determining taxable profit	1,397	991
Tax charge for the year	—	—

At the balance sheet date, the Group had unused tax losses of approximately HK\$5,377,000 (2003: HK\$5,377,000) available for offset against future profits. No deferred tax asset has been recognised in respect of tax losses due to the unpredictability of future profit streams.

Notes to the Financial Statements

For the year ended 31st March, 2004

12. LOSS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purposes of basic and dilutive loss per share		
Loss for the year	(7,502)	(5,957)
Weighted average number of ordinary shares for the purpose of basic loss per share	78,951,902	74,209,436

The weighted average number of shares for the prior year has been adjusted for the consolidation of shares of the Company in 2004.

The computation of diluted loss per share for both years does not assume the exercise of the outstanding convertible cumulative non-voting preference shares since their exercises would decrease the loss per share.

The computation of diluted loss per share for 2004 does not assume the exercise of the outstanding warrants since their exercises would decrease the loss per share.

13. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments, at cost	390	1
Amounts due from subsidiaries	220	186,329
	610	186,330
Less: Allowance	—	(184,310)
	610	2,020

The amounts due from subsidiaries are unsecured and interest-free. In the opinion of the directors, the amounts due from subsidiaries are not repayable within the next twelve months. Accordingly, the amounts are shown as non-current assets.

Particulars of the subsidiaries of the Company at 31st March, 2004 are set out in note 27.

Notes to the Financial Statements

For the year ended 31st March, 2004

14. OTHER INVESTMENT

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Unlisted shares	—	16,346	—	—
Amounts due from former subsidiaries	—	2,636	—	2,636
	—	18,982	—	2,636
Impairment loss recognised	—	(18,982)	—	(2,636)
	—	—	—	—
Listed shares in Hong Kong	—	30,675	—	—
Unrealised loss (note a)	—	(29,275)	—	—
	—	1,400	—	—
	—	1,400	—	—
Market value of listed shares (note b)	—	5,449	—	—

Notes:

- The unrealised loss as at 31st March, 2003 was calculated based on the latest net asset value of the listed company as at 30th June, 2002, taking into account the quarterly results for the 3 months ended 30th September, 2002 and any adjustments which the former directors considered appropriate. Accordingly, the former directors are of the opinion that this basis is reasonable and appropriate to reflect the carrying value of the investments.
- Based on the last trading price before the suspension of trading of the listed company on the Stock Exchange on 2nd July, 2002.

Notes to the Financial Statements

For the year ended 31st March, 2004

15. TRADE AND OTHER RECEIVABLES

The Group allows a credit period ranging from cash on delivery to 30 days to its trade debtors. The aged analysis of trade debtors is as follows:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors:		
0 — 30 days	3,440	—
31 — 60 days	10	—
	3,450	—
Other receivables	—	244
	3,450	244

The Company did not have any trade debtors at the balance sheet date.

16. TRADE AND OTHER PAYABLES

The aged analysis of trade creditors is as follows:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 — 30 days	8,580	—
31 — 60 days	35	—
	8,615	—
Other payables	1,135	2,817
	9,750	2,817

The Company did not have any trade creditors at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st March, 2004

17. AMOUNT DUE TO A SHAREHOLDER

Group and Company

At 31st March, 2004, the amount due to a shareholder was unsecured, interest-free and repayable on demand.

During the year, a shareholder agreed to waive an amount of HK\$1,677,000 owed by the Company to the shareholder under a subscription agreement approved at the special general meeting on 19th March, 2004 (the "Subscription Agreement"). Pursuant to the Subscription Agreement, the Company agreed to settle and repay certain expenses and debts owed to certain creditors and the shareholder by using the proceeds from the issue of shares of not more than approximately HK\$7.5 million. In the event the sum is insufficient to repay or settle all outstanding debts owed to the shareholder, the shareholder agreed to waive any remaining outstanding debts after payment.

At 31st March, 2003 the amount was repayable on demand, secured by certain investments of the Group and bore interest at Hong Kong prime rate plus 2% per annum.

18. SHARE CAPITAL

	Group and Company								
	Ordinary shares of 2004: HK\$0.10 (2003: HK\$0.01) each Number of shares		Convertible cumulative non-voting preference shares of HK\$1.00 each Number of shares		Convertible cumulative non-voting preference shares of HK\$0.10 each Number of shares		Convertible cumulative non-voting preference shares of HK\$0.10 each Number of shares		Total
	HK\$'000		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(note a)		(note b)		(note f)		
Authorised:									
At 1st April, 2002									
and 31st March, 2003	3,000,000,000	30,000	50,000,000	50,000	350,000,000	35,000	—	—	
Decrease upon share consolidation of 10 into 1 (note c)	(2,700,000,000)	—	—	—	—	—	—	—	
Increase (note d)	1,700,000,000	170,000	—	—	—	—	526,900,000	52,690	
At 31st March, 2004	2,000,000,000	200,000	50,000,000	50,000	350,000,000	35,000	526,900,000	52,690	
Issued and fully paid:									
At 1st April, 2002									
and 31st March, 2003	742,094,359	7,421	24,178,700	24,179	118,333,333	11,833	—	—	43,433
Decrease upon share consolidation of 10 into 1 (note c)	(667,884,923)	—	—	—	—	—	—	—	—
Preference shares redeemed	—	—	(24,178,700)	(24,179)	(118,333,333)	(11,833)	—	—	(36,012)
Shares issued (notes e and f)	173,100,000	17,310	—	—	—	—	526,900,000	52,690	70,000
At 31st March, 2004	247,309,436	24,731	—	—	—	—	526,900,000	52,690	77,421

Notes to the Financial Statements

For the year ended 31st March, 2004

18. SHARE CAPITAL (continued)

Notes:

- a. The terms of the preference shares of HK\$1.00 each are set out in the relevant prospectus dated 3rd October, 1996 issued by the Company to its shareholders. The holders of the preference shares are entitled to convert their shares into ordinary shares at a conversion price of HK\$0.22 as adjusted. To the extent that the preference shares have not been converted on or prior to 15th October, 2001, they shall be, subject to the Companies Act, redeemed at par on 22nd October, 2001. Pursuant to an ordinary resolution passed by the shareholders on 19th March, 2004, the preference shares were redeemed at HK\$1.00 each after the completion of the subscription agreement on 22nd March, 2004. The costs for the redemption was approximately HK\$24.2 million.
- b. The terms of the preference shares of HK\$0.10 each issued on 17th December, 1999 at a price of HK\$0.30 each were altered and approved by a special resolution passed by the shareholders on 19th March, 2004. The preference shares of HK\$0.10 each was compulsorily redeemed at HK\$0.2815 each upon completion of the subscription agreement on 22nd March, 2004 and the holders were not entitled to any accrued dividend or interest. The costs for redemption was approximately HK\$33.3 million.
- c. Pursuant to an ordinary resolution passed by the shareholders on 19th March, 2004, the share consolidation on the basis of ten HK\$0.01 each ordinary shares into one HK\$0.1 each ordinary share was unconditionally approved. The share consolidation was effective from 22nd March, 2004.
- d. Pursuant to an ordinary resolution passed by the shareholders on 19th March, 2004, the increase in the authorised share capital of 1,700,000,000 new shares at HK\$0.1 each and 526,900,000 convertible cumulative non-voting preference shares at HK\$0.1 each (the "New Preference Shares") were unconditionally approved. The increase in authorised share capital was to facilitate the issue and allotment of ordinary shares and preference shares upon completion of the subscription agreement.
- e. Pursuant to an ordinary resolution passed by the shareholders on 19th March, 2004, the subscription agreement relating to the issue of 173,100,000 new ordinary shares of HK\$0.10 each and 526,900,000 New Preference Shares was unconditionally approved. The completion of the subscription agreement took place on 22nd March, 2004 with 173,100,000 new ordinary shares and 526,900,000 New Preference Shares of the Company being allotted to Mogul Enterprises Limited. The shares were issued for the purpose of redemption of the existing preference shares and financing the working capital of the Group.
- f. The terms of the New Preference Shares issued on 22nd March, 2004 at a price of HK\$0.10 each (the "Principal Amount") are as follows:
 - (i) the New Preference Shares are entitled to a cumulative annual dividend of 5% on the Principal Amount, payable semi-annually in arrears on the 30th of April and 31st of October but are not entitled to any further dividend distribution.
 - (ii) the holders of such New Preference Shares have the right to request the Company to redeem all or part only of the New Preference Shares should the listing of the Company's shares on the Stock Exchange be cancelled or trading in the Company's shares on the Stock Exchange be suspended for a period of 20 consecutive trading days or more. On each of the third and fourth anniversary of the date of issue, one-third of the New Preference Shares first issued on the date of issue shall become redeemable by the Company in cash; and the Company shall redeem all the then outstanding New Preference Shares on the fifth anniversary of the date of issue or the earliest date permitted under the Companies Act, whichever is the later.
 - (iii) the holders of such New Preference Shares are entitled to convert their shares in multiple of 100,000 into ordinary shares at any time prior to the date upon which such New Preference Shares are redeemed.
 - (iv) the holders of such New Preference Shares have the same voting rights as those attaching to the ordinary shares of the Company only if there are any accrued dividends overdue for more than 12 months or where certain resolutions are proposed.
 - (v) the New Preference Shares are attached with warrants which the holders are entitled to subscribe for a maximum number of ordinary shares of 49,000,000 at HK\$0.10 each before the fifth anniversary of the date of issue of the warrants.

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For the year ended 31st March, 2004

19. SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the shareholders of the Company on 19th March, 2004 (the "Share Option Scheme"), the board of directors of the Company may for a consideration of HK\$1.00 grant options to eligible Participants (as defined in the circular of the Company dated 25th February, 2004) to subscribe for shares of the Company. The purpose of the Share Option Scheme is to provide incentive to motivate Participants to make contribution to, and promote the interests of, the Company and to develop and maintain business relationships with Participants for the benefit of the Group. The subscription price will be determined by the Board which shall be at least the higher of (i) the closing price of the Company's ordinary shares of HK\$0.1 each (the "Shares") as stated in the Stock Exchange's daily quotation sheet on the date of the offer of the share options, which must be a trading date, (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Shares.

The total number of Shares in respect of which options may be granted shall not exceed 10% of the total issued ordinary share capital of the Company as at the date of approval of the Share Option Scheme unless the Company obtains a fresh approval from the holders of the Shares in general meeting to renew the 10% limit.

The aggregate maximum number of Shares in respect of which options may be granted under the Share Option Scheme and other share option scheme(s) of the Company (if any) must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.

The Share Option Scheme became effective for a period of ten years commencing 19th March, 2004 (the date on which the Share Option Scheme was adopted).

The details and major provisions of the Share Option Scheme were set out in a circular of the Company dated 25th February, 2004.

No options under the Share Option Scheme had been granted to any persons during the year and up to the date of this report.

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20. RESERVES

	Company				
	Contributed surplus <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2002	51,111	266,076	—	(357,357)	(40,170)
Loss for the year	—	—	—	(5,158)	(5,158)
At 31st March, 2003	51,111	266,076	—	(362,515)	(45,328)
Preference shares redeemed	—	(21,488)	—	—	(21,488)
Loss for the year	—	—	—	(7,348)	(7,348)
Waiver of an amount due to a shareholder	—	—	1,677	—	1,677
At 31st March, 2004	51,111	244,588	1,677	(369,863)	(72,487)

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which the corporate reorganisation became effective and the nominal amount of the Company's shares issued under the reorganisation.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

At the balance sheet date, in the opinion of the directors, the Company had no reserves available for distribution to shareholders.

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21. DECONSOLIDATION OF SUBSIDIARIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Net liabilities excluded:		
Trade and other receivables	—	11,579
Bank balances and cash	—	4,621
Trade and other payables	—	(12,311)
Amount due to a shareholder	—	(3,000)
Short-term loan	—	(1,414)
	—	(525)
Gain on deconsolidation of subsidiaries	—	(525)
Net cash outflow arising on deconsolidation:		
Bank balances and cash disposed of	—	(4,621)

22. DISPOSAL OF SUBSIDIARIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Net assets (liabilities) disposed of:		
Trade and other receivables	—	1,463
Bank and cash balances	—	15,279
Trade and other payables	(475)	(13,727)
Amount due to a shareholder	—	(2,400)
	(475)	615
Gain (loss) on disposal	475	(615)
	—	—
Consideration	—	—

The subsidiaries disposed of during the year did not have any significant cash flow effect on the Group.

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22. DISPOSAL OF SUBSIDIARIES (continued)

Analysis of net cash outflow in respect of the disposal of subsidiaries:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow in respect of the disposal of subsidiaries		
Bank and cash balances disposed of	—	(15,279)

23. RETIREMENT BENEFITS SCHEME

The Group operates a MPF Scheme for all the eligible employees of the Group. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees.

Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to maximum of HK\$1,000 per employee and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of each employee's monthly salaries up to a maximum of HK\$1,000 (the "mandatory contributions"). The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65 years old, death or total incapacity.

During the year, no contributions to MPF Scheme were made by the Group as the Group did not have any employees, other than the directors, under its employment.

24. CAPITAL COMMITMENTS

Based on the information available to the Current Directors, the Group and the Company had no outstanding capital commitments as at 31st March, 2004. However, the Current Directors do not have any other information available to substantiate the validity of the capital commitment as at 31st March, 2003.

	Group and Company	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted for but not provided in the financial statements in respect of the capital contributions to its PRC subsidiaries	—	30,600

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25. 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 this claim but will continue to monitor and review the situation from time to time.

Save as disclosed above and based on the information available to the Current Directors, the Group and the Company had no contingent liabilities as at 31st March, 2004.

26. RELATED PARTY TRANSACTIONS

During the year, the Group has entered into the following transactions with related parties:

	Group	
	2004 HK\$'000	2003 HK\$'000
Management fee paid to a shareholder (<i>note a</i>)	—	450
Interest paid to a shareholder (<i>note b</i>)	—	56
Waiver of an amount due to a shareholder (<i>note 17</i>)	1,677	—
Advances from a shareholder (<i>note b</i>)	2,590	1,962

Notes:

- (a) Management fee represented the allocation of expenses which was based on estimated administrative costs including sharing of office premises and corporate management services, the basis of which was considered appropriate by the management.
- (b) Details of the advances from a shareholder at the balance sheet date are disclosed in note 17.
- (c) On 22nd March, 2004, the Company, Excel Advance Limited ("Excel Advance"), a wholly-owned subsidiary of the Company, and the ultimate holding company entered into a loan agreement (the "Loan Agreement") which had been approved by the shareholders at a special general meeting held on 19th March, 2004. Pursuant to the Loan Agreement, the ultimate holding company agreed to grant a revolving loan facility of up to HK\$15 million (the "Loan Facility") to the Company and Excel Advance at an interest rate of 2% over the six-month Hong Kong Interbank Offered Rate. Repayment of the loan and the relevant interests are guaranteed by the Company (limited to HK\$15 million) and secured by a first legal fixed charge on the Company's entire shareholding interests in Excel Advance and a first floating charge on all the assets of Excel Advance. During the year, the Group did not make any drawdown under the Loan Facility.

As explained in note 2, based on the information available to the Current Directors and apart from the subsidiaries disposed of during the year, the Group had no other related party transactions.

Notes to the Financial Statements

For the year ended 31st March, 2004

27. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 31st March, 2004 are as follows:

Name of company	Place of incorporation	Principal activities	Particulars of issued share capital	Interest held directly by the Company
Asiarim Associates Limited	The British Virgin Islands	Trading of computer-related products and consumer electronic products	50,000 shares of US\$1.00 each	100%
Excel Advance Limited	The British Virgin Islands	Inactive	1 share of US\$1.00 each (note 26(c))	100%