

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

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 acts as an investment holding company. The activities of its subsidiaries are set out in note 27.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2004

The consolidated income statement and consolidated cash flow statement for the year ended 31st March, 2004 were prepared based on the limited financial information left by the former management, and other information and records available to the existing board of directors, which were appointed on or after 29th March, 2004 (the "Board"). The Board was unable to ensure the completeness of the books and records of certain former subsidiaries of the Company provided by the former management. Accordingly, the Board was unable to obtain sufficient information to satisfy itself regarding the matters described below.

- (a) The Board was unable to satisfy itself as to whether the net liabilities of the Group as at 31st March, 2003 were free from material misstatement. The Board was also unable to satisfy itself as to whether the loss and cash flows of the Group for the year ended 31st March, 2004 were free from material misstatement.
- (b) During the year ended 31st March, 2004, 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 that year. However, as the Board did not have any financial information concerning this subsidiary, the Board was unable to satisfy itself as to whether this impairment loss was free from material misstatement. As a result, the consolidated income statement for the year ended 31st March, 2004 might be misclassified as between the impairment loss on other investment and the gain on disposal of subsidiaries.
- (c) Upon completion of the disposal of certain subsidiaries during the year 31st March, 2004, a gain on disposal of subsidiaries amounting to HK\$475,000 was recognised in the consolidated income statement. However, as the Board did not have any financial information concerning these subsidiaries, the results of these subsidiaries were not recognised in the consolidated income statement for the year ended 31st March, 2004 except that an impairment loss of HK\$1,400,000 was recognised as mentioned in note (b) above. 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 Board was unable to satisfy itself with respect to 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.

The Board was satisfied, however, that the financial statements gave a true and fair view of the state of affairs of the Company and the Group as at 31st March, 2004.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

3. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005. The Company has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

The Company has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

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 other than as set out in note 2. 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, 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Office equipment

Office equipment is stated at cost less depreciation and any identified impairment loss.

Depreciation is provided to write off the cost of office equipment over their estimated useful lives, using the straight line method, at the rate of 25% to 33¹/₃% per annum.

The gain or loss arising on the 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.

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 losses are 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.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefits scheme

Payments to the Mandatory Provident Fund Scheme (“MPF Scheme”) are charged as 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 amounts 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 taxable 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.

5. TURNOVER

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is organised into two operating divisions, being the trading of consumer electronic products and fine chemicals. These principal operating activities are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Year ended 31st March, 2005

	Consumer electronic products <i>HK\$'000</i>	Fine chemicals <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover	13,069	11,634	24,703
Segment results	87	385	472
Unallocated corporate expenses			(888)
Loss before taxation			(416)
Taxation			(58)
Loss for the year			(474)
<i>Other information</i>			
Capital expenditure		30	30
Depreciation		6	6

Year ended 31st March, 2004

	Consumer electronic products <i>HK\$'000</i>	Fine chemicals <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover	26,723	–	26,723
Segment results	(589)	–	(589)
Impairment loss on other investment			(1,400)
Gain on disposal of subsidiaries			475
Other unallocated corporate expenses			(5,988)
Loss before taxation			(7,502)
Taxation			–
Loss for the year			(7,502)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

At 31st March, 2005

	Consumer electronic products <i>HK\$'000</i>	Fine chemicals <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets			
Segment assets	149	9,071	9,220
Unallocated assets			983
			10,203
Liabilities			
Segment liabilities	480	6,032	6,512
Unallocated liabilities			259
			6,771

At 31st March, 2004

	Consumer electronic products <i>HK\$'000</i>	Fine chemicals <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets			
Segment assets	8,709	–	8,709
Unallocated assets			7,822
			16,531
Liabilities			
Segment liabilities	9,127	–	9,127
Unallocated liabilities			3,498
			12,625

Geographical segments

Most of the Group's operations are carried out in Hong Kong, and more than 90% of the Group's revenue and capital expenditure are situated in Hong Kong. The distribution of the Group's assets between Hong Kong and the Mainland of the People's Republic of China (the "Mainland") are HK\$8,137,000 and HK\$2,066,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

7. OTHER OPERATING INCOME

	2005	2004
	HK\$'000	<i>HK\$'000</i>
Interest income on bank deposits	3	2

8. LOSS BEFORE TAXATION

	2005	2004
	HK\$'000	<i>HK\$'000</i>
Loss before taxation has been arrived at after charging:		
Auditors' remuneration	263	265
Depreciation	6	–
Operating lease rentals in respect of		
Land and buildings	99	74
Equipment and others	–	71

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

(a) Directors' emoluments

	2005	2004
	HK\$'000	<i>HK\$'000</i>
Fees:		
Independent non-executive directors	264	–
Other emoluments:		
Salaries and other benefits	–	–
Contributions to retirement benefit scheme	–	–
	264	–

Their emoluments were within the following band:

	2005	2004
	Number of	<i>Number of</i>
	directors	<i>directors</i>
Nil to HK\$1,000,000	12	11

No directors had waived any emoluments during the year ended 31st March, 2005 and 2004.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(b) Employees' emoluments

In 2005, of the five individuals with the highest emoluments in the Group, two were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three individuals were as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Salaries and other benefits	717	–
Contributions to retirement benefit scheme	17	–
Compensation for loss of office	26	–
	760	–

Their emoluments were within the following band:

	2005 <i>Number of employees</i>	2004 <i>Number of employees</i>
Nil to HK\$1,000,000	3	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

10. TAXATION

The amount represents Hong Kong Profits Tax calculated at 17.5% of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. There is no tax charge arising in other jurisdictions during the year.

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Loss before taxation	(416)	(7,502)
Tax at the domestic income tax rate of 17.5%	(73)	(1,313)
Tax effect of income not taxable for tax purpose	(16)	(84)
Tax effect of expenses not deductible for tax purpose	156	1,397
Tax effect of tax loss not recognised	29	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(17)	–
Others	(21)	–
Tax charge for the year	58	–

At the balance sheet date, the Group had unused tax losses of approximately HK\$5,466,000 (2004: 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. Included in unrecognised tax losses are losses of approximately HK\$88,000 (2004: nil) that will expire in 2009. Other losses may be carried forward indefinitely.

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the Group's loss for the year of HK\$474,000 (2004: loss of HK\$7,502,000) and weighted average number of ordinary shares of 247,309,435 (2004: 78,951,902) in issue during the year.

No diluted loss per share is presented for both years since the exercise of the outstanding convertible cumulative non-voting preference shares and warrants would decrease the loss per share.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

12. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	HK\$'000	HK\$'000
Unlisted investments, at cost	390	390
Amounts due from subsidiaries	2,932	220
Less: Impairment loss and allowance	(606)	–
	2,716	610

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.

The directors of the Company have reviewed the carrying amounts of the interests in subsidiaries of the Company as at balance sheet date and have determined to recognise the impairment loss and allowance of HK\$606,000. The allowance is made against investment cost of and amount due from a subsidiary which was in net liability position as at balance sheet date.

Particulars of the principal subsidiaries of the Company at 31st March, 2005 are set out in note 27.

13. OFFICE EQUIPMENT

	THE GROUP
	HK\$'000
COST	
Additions during the year and balance at 31st March, 2005	30
DEPRECIATION	
Charged for the year and balance at 31st March, 2005	(6)
NET BOOK VALUE	
At 31st March, 2005	24

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

14. TRADE AND OTHER RECEIVABLES

The Group allows a credit period ranging from cash on delivery to 90 days to its trade debtors. The aged analysis of trade debtors is as follows:

	THE GROUP	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors:		
0 – 30 days	452	3,440
31 – 90 days	275	10
	727	3,450
Other receivables	218	–
	945	3,450

15. TRADE AND OTHER PAYABLES

The aged analysis of trade creditors is as follows:

	THE GROUP	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	1,799	8,580
31 – 90 days	1,400	35
Over 90 days	2,217	–
	5,416	8,615
Other payables	1,017	1,135
	6,433	9,750

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

16. AMOUNT DUE TO A FORMER SHAREHOLDER

THE GROUP AND THE COMPANY

In prior year, a former shareholder agreed to waive an amount of HK\$1,677,000 owed by the Company to the former shareholder under a subscription agreement approved at a special general meeting held 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 former 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 former shareholder, the former shareholder agreed to waive any remaining outstanding debts after payment.

At 31st March, 2004, the remaining amount due to the former shareholder was unsecured, interest free and repayable on demand. During the year ended 31st March, 2005, such amount had been fully repaid.

17. AMOUNTS DUE TO RELATED COMPANIES

THE GROUP

The amounts are unsecured, interest free and repayable on demand. Ms. Chu Lam Yim, a director of the Company, has beneficial interest in these companies.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

18. SHARE CAPITAL

	Ordinary shares of HK\$0.10 each		Convertible cumulative non-voting preference shares of HK\$1.00 each		Convertible cumulative non-voting preference shares of HK\$0.10 each		Convertible cumulative non-voting preference shares of HK\$0.10 each		Total HK\$'000
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares (note d)</i>	<i>HK\$'000</i>	
Authorised:									
At 1st April, 2003	3,000,000,000	30,000	50,000,000	50,000	350,000,000	35,000	-	-	115,000
Decrease upon share consolidation of 10 into 1 (<i>note a</i>)	(2,700,000,000)	-	-	-	-	-	-	-	-
Increase (<i>note b</i>)	1,700,000,000	170,000	-	-	-	-	526,900,000	52,690	222,690
At 31st March, 2004 and 31st March, 2005	2,000,000,000	200,000	50,000,000	50,000	350,000,000	35,000	526,900,000	52,690	337,690
Issued and fully paid:									
At 1st April, 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 (<i>note a</i>)	(667,884,924)	-	-	-	-	-	-	-	-
Preference shares redeemed	-	-	(24,178,700)	(24,179)	(118,333,333)	(11,833)	-	-	(36,012)
Share issued (<i>note c</i>)	173,100,000	17,310	-	-	-	-	526,900,000	52,690	70,000
At 31st March, 2004 and 31st March, 2005	247,309,435	24,731	-	-	-	-	526,900,000	52,690	77,421

Notes:

- (a) Pursuant to an ordinary resolution passed by the shareholders on 19th March, 2004, the share consolidation on the basis of ten HK\$0.01 ordinary shares into one HK\$0.1 ordinary share was unconditionally approved. The share consolidation was effective from 22nd March, 2004.
- (b) 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.
- (c) 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.
- (d) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

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 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 and 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. Each participant must accept the grant of option before a specified date, being a date not later than 30 business days after the date of offer.

The total number of the 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 total number of Shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue unless the same is approved by shareholders of the Company.

The aggregate maximum number of the 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 the 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 since its adoption.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

20. RESERVES

	THE COMPANY				
	Contributed surplus	Share premium account	Capital reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April, 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 former shareholder	–	–	1,677	–	1,677
At 31st March, 2004	51,111	244,588	1,677	(369,863)	(72,487)
Loss for the year	–	–	–	(1,495)	(1,495)
At 31st March, 2005	51,111	244,588	1,677	(371,358)	(73,982)

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 account.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

21. DISPOSAL OF SUBSIDIARIES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Net liabilities disposed of:		
Trade and other payables	–	(475)
Gain on disposal	–	475
	–	–
Consideration	–	–

The subsidiaries disposed of during the year ended 31st March, 2004 did not have any significant cash flow effect on the Group.

22. 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 a 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.

The total cost charged to the consolidated income statement of HK\$18,000 (2004: Nil) represents contributions payable to the scheme by the Group during the year. At 31st March, 2005 and 2004, there were no forfeited contributions available to reduce future obligations.

23. CAPITAL COMMITMENTS

The Group and the Company had no outstanding capital commitments as at 31st March, 2005.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

24. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	230	–
In the second to fifth year inclusive	962	–
	1,192	–

Leases are negotiated for terms ranging 1 to 5 years with fixed monthly rentals over the terms of the leases.

The Company had no commitments under non-cancellable operating leases at the balance sheet date.

25. CONTINGENT LIABILITIES

The Board noted from an announcement dated 29th April, 2002 made by certain 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 Board has reviewed the records of the Company and conducted internal investigations after their appointment, the Board do 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 Board, the Group and the Company had no contingent liabilities as at 31st March, 2005.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

26. RELATED PARTY TRANSACTIONS

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Waiver of an amount due to a former shareholder (<i>note 16</i>)	–	1,677
(Repayment to) advances from a former shareholder (<i>note a</i>)	(2,875)	2,590
Amount charged by a related company for sharing of administrative expenses (<i>note b</i>)	374	–

Notes:

- (a) Details of the repayment to and advances from a former shareholder are disclosed in note 16.
- (b) The related company is a company in which a director of the Company, Ms. Chu Lam Yiu, has a beneficial interest. The sharing of administrative expenses was charged based on the actual administrative costs incurred, including share of office premises and corporate expenses, and the basis of which was considered appropriate by the board of directors.
- (c) On 22nd March, 2004, the Company, Huabao Investment Company Limited (formerly known as Excel Advance Limited) (“Huabao Investment”), 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 Huabao Investment 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 Huabao Investment and a first floating charge on all the assets of Huabao Investment. For the two years ended 31st March, 2005, the Group did not make any drawdown under the Loan Facility.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

27. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 31st March, 2005 are as follows:

Name of company	Place of incorporation/ registration	Particulars of issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Asiarim Associates Limited	The British Virgin Islands	50,000 ordinary shares of US\$1 each	100%	–	Trading of computer-related products and consumer electronic products
Hero Ace Limited	Hong Kong	1 ordinary share of HK\$1 each	100%	–	Provision of management services
Huabao Investment Company Limited	The British Virgin Islands	1 ordinary share of US\$1 each (note 26(c))	100%	–	Investment holding
Sino Top Trading Limited	Hong Kong	100 ordinary shares of HK\$1 each	–	100%	Trading of fine chemicals
華航貿易發展(深圳)有限公司 (Note)	The Mainland	HK\$500,000 Registered capital	–	100%	Trading of fine chemicals and other products
華順香料(上海)有限公司 (Note)	The Mainland	US\$150,000 Registered capital	–	100%	Manufacture and trading of fine chemicals

Note: Wholly foreign-owned enterprises registered in the Mainland