Annual Report 2003

Operation Review

The Group's financial year-end has been changed from 31 March to 31 December, therefore, the period under review becomes nine months from 1 April 2003 to 31 December 2003 accordingly. During the nine-month period, the Group was principally engaged in property development; design, manufacturing and marketing of consumer packaged electronics; and provision of electronic manufacturing services. Turnover for the period was approximately HK$11.7 million (Year ended 31 March 2003: HK$100.6 million) and a net profit of HK$63.5 million (Year ended 31 March 2003: HK$0.19 million) was recorded. The net assets value of the Group amounted to HK$2,414.2 million (Year ended 31 March 2003: HK$2,364.2 million), representing a value of HK$0.081 per share.

The decline in turnover was mainly due to the decreasing order from the Group's manufacturing business as a result of severe competition within the industry. In view of the ongoing difficult environment within the manufacturing business, after careful consideration, the management has disposed of its manufacturing facilities in December 2003 and focuses on its property development projects in China.

The Group's net profit of HK$63.5 million was attributable to the disposal of the manufacturing facilities, which recorded a gain on disposal of HK$53.5 million.

Property Development

During the period under review, the Group recorded no turnover (Year ended 31 March 2003: nil) and a segment profit of approximately HK$7.3 million (Year ended 31 March 2003: HK$9.0 million) for this business division. The profit was attributable to negative goodwill released for the period under review.

The governing authority in China has approved the detailed urban planning design and construction project conceptual design of the Shenzhen project, and the development of such project will be in five phases. A renowned French design company, selected by means of public tender, has completed the first phase of construction design involving gross floor area of approximately 170,000 sq.m. involving 8 blocks of residential buildings. Comprehensive construction work is expected to commence by the third quarter of 2004, and this project is expected to generate strong cash flow for the Group in 2005.

In addition, the Guangzhou project involves a total gross floor area of approximately 1.08 million sq.m., and detailed urban planning design has been approved, and construction work for the first phase is expected to commence in the fourth quarter 2004.

Consumer Packaged Electronics

During the period, turnover from this division was approximately HK$2.2 million (Year ended 31 March 2003: 64.0 million) and a reduced segmental loss of approximately HK$6.7 million (Year ended 31 March 2003: HK$15.6 million) was recorded.

In view of the ongoing difficult business environment, the management has disposed of the manufacturing facilities after careful consideration, but both the design and trading of consumer packaged electronic products will remain.

Electronic Manufacturing Services

Turnover from this division was approximately HK$9.5 million (Year ended 31 March 2003: HK$36.5 million) and a segmental loss of approximately HK$8.4 million (Year ended 31 March 2003: HK$5.2 million) was recorded during the period.

Again, the ongoing difficult business environment, the management decided it is for the best interest of the Group to dispose of its manufacturing facilities and will focus on its research and development.

Liquidity, Financial Resources and Capital

The Group continues to adopt prudent funding and treasury policies. As at 31 December 2003, net assets value of the Group amounted to approximately HK$2,414.2 million, including cash and bank balances of approximately HK$21 million which was denominated mainly in Renminbi and Hong Kong dollars. As at 31 December 2003, the Group's bank and other borrowings decreased to HK$425 million (As at 31 March 2003: HK$522 million). The decrease in bank and other borrowings is mainly due to loan repayment of HK$73 million during the period. For the Group's borrowings at 31 December 2003, approximately HK$235 million were bearing interest at fixed rates while approximately HK$190 million were at floating rates. The gearing ratio of the Group, measured on the basis of total bank and other borrowings as a percentage of total shareholders' equity decreased to 18% as of 31 December 2003 from 31% as at 31 March 2003. The Group's contingent liabilities at 31 December 2003 were HK$96 million due to the guarantees given in connection with credit facilities.

As at 31 December 2003, fixed assets with the net book value of HK$0.9 million (As at 31 March 2003: HK$55 million); floating charge over other assets of certain subsidiaries within the Group; charge over shares in certain subsidiaries within the Group; and land with lot no. K-708-5 at Liu Wan, Shekou, China together with all its sales proceeds were pledged as securities for credit facilities.

Exposure to Fluctuations in Exchange Rate

As the majority of the Group's borrowings and transactions are denominated in Hong Kong dollars, US dollars and Renminbi, the Group's exposure to exchange rate fluctuations is relatively insignificant. In general, the Group mainly utilizes its Renminbi income receipt for capital requirements expenditures in China and has not used any financial instruments for hedging Renminbi bank borrowings during the period and such borrowings were mainly used for Renminbi capital requirements in China.

Employee

The Group employs and remunerates its staff based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include contributions to provident fund schemes, group medical insurance, group personal accident insurance and external training sponsorship. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the board of directors. In general, salary review is conducted annually. At 31 December 2003, the Group had approximately 32 employees (At 31 March 2003: 387 employees). The salaries and allowance of employees for the period ended 31 December 2003 was approximately HK$9 million (Year ended 31 March 2003: HK$21.7 million).

Prospect

On 29 December 2003, the Company and its controlling shareholder, Sino-i Technology Limited ("Sino-i") jointly announced a restructuring plan that involves:

(a) Robina Profits Limited (a wholly owned subsidiary of Sino-i) and the Company have entered into the subscription agreement relating to the subscription of the convertible loan notes in an aggregate principal amount of HK$200,000,000 to be issued at an initial conversion price of HK$0.018 each by the Company to Robina Profits Limited; and

(b) certain substantial shareholders of Sino-i and the Company have entered into the Sale and Purchase Agreement relating to the acquisition by the Company of a total of 12,515,795,316 shares in Sino-i from such substantial shareholders of Sino-i at a consideration of HK$976,334,238, representing a price of approximately HK$0.078 each. Half of the consideration will be satisfied by an issue of a total of 27,120,395,500 shares in the Company at a price of HK$0.018 each and the remaining half of the consideration will be satisfied by cash payments.

The consideration payable by Robina Profits Limited for the convertible loan notes in an aggregate principal amount of HK$200,000,000 will be satisfied by way of set off against the same amount due to the ultimate holding company. Subsequent to the balance sheet date, the above transactions (as detailed in our circular dated 23 March 2004) were approved by the independent shareholders of the Company on 16 April 2004. The completion of the Sale and Purchase Agreement is subject to, amongst others, the completion of the capital reduction and the distribution of Sino-i as announced on 29 December 2003, the timetable for implementation of which has not determined as yet. The Company has been advised by Sino-i that the preparation of documents for summons for direction and for petition in respect of the said capital reduction and the distribution, under advice by its legal retainers, is now in progress, and that the same will be submitted to the Court once available.

Upon the completion of the restructuring plan, the Company will continue to focus on its property development business, and through its subsidiary, Sino-i, will also engage in information technology business, provision of financial information and other IT related services. Given the enlarged business portfolio of the Group, the management believes that the financial and trading prospects of the enlarged Group would be enhanced since it could enjoy the benefits of the rapidly growing information technology sector in China which Sino-i has been actively participated and shown outstanding performance.