

## Management Discussion and Analysis

The following discussion and analysis of the Group's financial position and results of operations should be read in conjunction with the audited consolidated results and related notes.

### Turnover

The consolidated turnover of the Group for the year ended 31<sup>st</sup> March, 2006 was approximately HK\$403,915,000, representing a 26.7% decrease from approximately HK\$551,259,000 for the year ended 31<sup>st</sup> March, 2005. The decrease was mainly attributable to the maturing globalization and an increase in competition in the personal computer components market.

The majority of the consolidated turnover came from supply of computer components, which represented 82.0% of the Group's total turnover compared to 79.6% in the last financial year. The balance came from mobile storage and related products representing 13.3% and design and manufacture of computer motherboard and network, which represented 4.7% of the Group's turnover.

### Segmental Results

The business of supply of computer related products achieved a turnover of approximately HK\$331,303,000 for the year, representing a decrease of 24.5% from that of the last financial year. Segment profit was approximately HK\$3,565,000, an increase of 103.7% as compared to the last financial year.

The business of mobile storage and related products business delivered a turnover of approximately HK\$53,809,000 for the year ended 31<sup>st</sup> March, 2006, a decrease of 42.6% from approximately HK\$93,750,000 in the last financial year. Segment profit was approximately HK\$1,125,000, a decrease of 22.9% as compared to the last financial year.

Turnover of the business of design and manufacture of computer motherboard and network business remained flat as compared to the last financial year. Segment profit was approximately HK\$1,637,000, representing a decrease of 56.0% as compared to the last financial year.

### Operating Expenses

Selling expenses for the year ended 31<sup>st</sup> March, 2006 decreased approximately by 26.2% to approximately HK\$1,041,000 as compared to that of approximately HK\$1,411,000 for the year ended 31<sup>st</sup> March, 2005. Such decrease was mainly in line with the decrease in turnover.

Administrative expenses for the year ended 31<sup>st</sup> March, 2006 increased by 31.1% to approximately HK\$18,951,000 as compared to that of approximately HK\$14,456,000 for the year ended 31<sup>st</sup> March, 2005. Such increase was attributable to i) the increase in head count for the reinforcement of internal control ii) increase in professional costs arising from the General Offer and advice on corporate governance practices iii) recognition of one-off impairment loss on development cost as a result of continued deterioration in the Group's income and iv) write off/loss on disposal of property, plant and equipment.

Finance costs for the year ended 31<sup>st</sup> March, 2006 decreased by approximately 16.4% to approximately HK\$143,000 as compared to that of approximately HK\$171,000 for the year ended 31<sup>st</sup> March, 2005. Such decrease was attributable to the decrease in the Group's average bank borrowings.

### **Net Loss for the Year**

As a result of the foregoing, the net loss for the year increased by approximately 62.7% from approximately HK\$7,206,000 for the year ended 31<sup>st</sup> March, 2005 to approximately HK\$11,722,000 for the year ended 31<sup>st</sup> March, 2006.

### **Capital Structure, Liquidity, Financial Resources and Gearing Ratio**

The Group had cash balances of approximately HK\$11,229,000 and bank borrowing of approximately HK\$1,295,000 as at 31<sup>st</sup> March, 2006. With cash and other current assets of approximately HK\$17,286,000 as at 31<sup>st</sup> March, 2006 as well as available banking facilities, the Group has sufficient financial resources to satisfy its working capital requirements and commitments.

For the purpose of enlarging its capital base and strengthening its financial position, the Company issued 20 million new shares by way of the shares subscription exercise completed in June 2005 as detailed in the Company's announcement dated 15<sup>th</sup> June, 2005.

As at 31<sup>st</sup> March, 2006, the current ratio was maintained at 1.84 (as at 31<sup>st</sup> March, 2005: 1.03) with the Group's total bank borrowings decreased from approximately HK\$3,325,000 as at 31<sup>st</sup> March, 2005 to approximately HK\$1,295,000 as at 31<sup>st</sup> March, 2006. The bank borrowings are denominated in Hong Kong dollars and have been arranged on a floating rate basis.

The Group's gearing ratio, calculated as total liabilities over total assets, was approximately 56.5% as at 31<sup>st</sup> March, 2006, showing a slight improvement from the approximately 64.3% as at 31<sup>st</sup> March, 2005.

### **Treasury Policies**

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars, US dollars and Renminbi. The Group adopted relatively prudent financial policy and closely monitored its cashflow and did not enter into any derivatives products for hedging purpose during the year under review.

### **Charges on Group Assets**

As at 31<sup>st</sup> March, 2006, the Group's leasehold land and buildings in Hong Kong held for own use with carrying amounts of approximately HK\$2,800,000 (as at 31<sup>st</sup> March, 2005: approximately HK\$2,808,000) were pledged to a bank to secure banking facilities granted to the Group.

### **Contingent Liabilities**

As at 31<sup>st</sup> March, 2006, the Group had no significant contingent liabilities or outstanding litigation.

### **Capital Commitments**

There were no capital commitments outstanding as at 31<sup>st</sup> March, 2006.

## Management Discussion and Analysis

### Significant Investments, Material Acquisitions and Disposals

Apart from the acquisition of the Uni-Land as set out in note 30 to the consolidated financial statements, the Group did not have any significant investments, material acquisitions and disposals during the year under review.

### Employees and Remuneration Policy

As at 31<sup>st</sup> March, 2006, the Group had about 104 employees based in the PRC and Hong Kong. The remuneration of each staff member was determined on the basis of his qualification, performance and experience. The Group also provides other benefits including medical cover and a Mandatory Provident Fund. Details of staff costs for the year ended 31<sup>st</sup> March, 2006 are set out in note 7 to the consolidated financial statements. A share option scheme was adopted by the Company on 3<sup>rd</sup> September, 2003 to enable the Directors to grant share options to staff and Directors as incentive. During the year, 6,000,000 share options were granted to certain executive Directors.