

FINANCIAL REVIEW

As at 30th September, 2002, the Group's total net assets amounted to approximately HK\$377 million (HK\$385 million as at 31st March, 2002).

Total debt to equity ratio was 0.03% (0.03% as at 31st March, 2002) and net debt to equity ratio was nil (Nil as at 31st March, 2002), which are expressed as a percentage of bank and other borrowings, and net borrowings respectively, over the total net assets of HK\$377 million (HK\$385 million as at 31st March, 2002).

At the balance sheet date, the Group's bank and other borrowings amounted to HK\$126,000 (HK\$98,000 as at 31st March, 2002). Cash and deposit at bank amounted to HK\$217 million (HK\$170 million as at 31st March, 2002) and there are no net borrowings for the two years.

Finance costs for the period amounted to HK\$30,000 (HK\$228,000 as at 31st March, 2002).

The Company has provided guarantees in respect of loan facilities granted to subsidiary companies amounting to HK\$9.29 million (HK\$4.75 million as at 31st March, 2002).

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise cost of funds, the Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in Hong Kong or US dollars. The Group's liquidity and financing requirements are frequently reviewed. In anticipating new investments or maturity of bank loans, the Group will consider new financing while maintaining an appropriate level of gearing.

PROSPECTS

The global economy remains sluggish mainly due to the weak capital spending. Companies have slashed investment plans and continue to downsize as they are not sure of the future prospects. The net result is the stagnated growth, weak labour market and depressed consumer confidence in most of the industrial countries. Even though interest rates in the US have been reduced to its record low over 40 years, the improvement in economic activity has been unconvincing. The tension in the Middle East, threat of terrorist attacks and persistent deflation have further adversely affected investor and consumer confidence.

The domestic consumption remains weak due to the unfavourable global and domestic economic climate. The outlook for the Hong Kong economy will mainly depend on the growth of external trade and the success of the internal structural reform. As both the global and local economy remain weak despite the modest recovery in the third quarter of 2002, the Group anticipates that 2003 will be another difficult year. Deflation will persist, as fund outflows induce a contraction in credit, exerting downside pressure on prices. However, as Hong Kong is moving towards a knowledge-based society and looking for the integration with the fast-growing Pearl River Delta region, the Group anticipates that prospects in the region can bring along with lots of opportunities to the growth of domestic economy. Corporations will then increase its capital expenditure and the demand for telecommunications services and high technology products will rebound rapidly with the turnaround of the local economy. As part of the Group's strategic development, the Group will make use of its well-established network and experience in Hong Kong and the South East Asian countries and look for opportunities to distribute office equipment and telecommunication products manufactured in the Mainland to countries in the region.

PROSPECTS (Continued)

Looking forward, the Group will adhere to the stringent cost control measures by optimizing inventory level and reducing operating expenses. The Management will strive to consolidate its business units and actively reposition its business strategy in order to cater for the fast changing markets. With our solid foundation in the IT industry and the effective Management, the Group is in a strong position to take on the challenges ahead.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th September, 2002, the interests of the Directors in the share capital of the Company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance (“the SDI Ordinance”)) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or required to be recorded in the register of the Company pursuant to Section 29 of the SDI Ordinance were as follows:

(a) Interests in the Company – Shares

Name of Director	Number of ordinary shares		Total
	Personal interests	Corporate interests	
CHOW Yei Ching	34,079,270	433,466,666*	467,545,936
FUNG Pak Kwan	12,900,000	–	12,900,000
KUOK Hoi Sang	12,000,000	–	12,000,000
KAN Ka Hon	2,256,000	–	2,256,000
Shinichi YONEHARA	3,004	–	3,004

* Dr CHOW Yei Ching beneficially owned 640,527,782 shares in Chevalier International Holdings Limited (“CIHL”), representing approximately 50.23% of the issued share capital of CIHL, which in turn was interested in 433,466,666 shares of the Company. Dr Chow was deemed to be interested in these shares under the SDI Ordinance and these shares were same as those shares described in “Substantial Shareholder” below.

DIRECTORS' INTERESTS IN SECURITIES (Continued)**(b) Interests in Associated Corporations – Shares**

Name of Director	Associated corporations	Number of ordinary shares		
		Personal interests	Corporate interests	Total
CHOW Yei Ching	CIHL	640,527,782	–	640,527,782
	Chevalier Singapore Holdings Limited (“CSHL”)	–	99,813,000*	99,813,000
	Chevalier Construction Holdings Limited (“CCHL”)	61,036,489	89,385,444*	150,421,933
FUNG Pak Kwan	CIHL	456,450	–	456,450
KUOK Hoi Sang	CIHL	491,083	–	491,083
	CCHL	1,326,437	–	1,326,437
KAN Ka Hon	CIHL	145,200	–	145,200
	Shinichi YONEHARA	CIHL	8,160	8,160
	CCHL	342	–	342

* *Dr CHOW Yei Ching had notified CSHL and CCHL that under the SDI Ordinance, he was deemed to be interested in 99,813,000 shares in CSHL and 89,385,444 shares in CCHL which were all held by CIHL as Dr Chow beneficially owned 640,527,782 shares in CIHL, representing approximately 50.23% of the issued share capital of CIHL.*

In addition, certain Directors personally hold share options to subscribe for ordinary shares of the Company and its associated corporations as disclosed under the paragraph “Share Option Scheme” below.

Save as disclosed above and in “Share Option Scheme” stating below, as at 30th September, 2002, none of the Directors of the Company nor their spouses nor children under the age of 18 had or were deemed to have any interest in the securities of the Company or any of its associated corporations (as defined in the SDI Ordinance) or were granted any right to subscribe for securities of the Company or any of its associated corporations or exercised such right during the period under review pursuant to Section 28 of the SDI Ordinance or under Section 31 or Part I of the Schedule to the SDI Ordinance.