

Chairman's Statement



Dr CHOW Yei Ching, Chairman

In spite of the harsh operating environment, the overall performance of the Group during the year improved substantially with a net profit of HK\$22.9 million compared with a net loss of HK\$ 22.8 million last year. The remarkable results were mainly contributed by the steady income derived from technical and maintenance services and improved return from investment in financial products.

DIVIDEND

The Board of Directors recommends the payment of a final dividend of HK3 cents (2003: Nil) per share payable to shareholders whose names appear on the Register of Members of the Company on Friday, 27th August, 2004. This, together with the interim dividend of HK2 cents (2003: Nil) per share paid during the year, represents a dividend distribution of HK5 cents (2003: Nil) per share for the year ended 31st March, 2004. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the dividend warrants will be distributed and paid on or about Wednesday, 8th September, 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

The notebook computer market has been extremely competitive, but the Group managed to gradually increase its market share by continuously introducing stylish and competitive products at attractive prices. Performance of the Business Machine Division, however, is challenged by the still sluggish economy. The Group expects demand for office equipment to pick up again as the economic situation in Hong Kong and the region improves.

The Network Solutions and Telecommunication Systems Division recorded slightly decrease in turnover during the year under review. During the year, it was awarded several major contracts which included a large-scale PABX system installation contract for Four Seasons Hotel, a six-star hotel development at Hong Kong Station Development, a 2-year term contract on the supply, installation, commissioning and maintenance of Toshiba Business Telephone System for various HKSAR government departments and to provide NEC PABX Telephone System Maintenance Service Support to all American International Assurance offices in Hong Kong and Macau.



Toshiba Notebook Computer - Satellite M30



Toshiba ultraportable notebook - Portege A100



PABX System Solution for Four Seasons Hotel at Hong Kong Station Development

Turnover and net profit of the Technical and Maintenance Services Division also substantially increased during the year under review. It was the unwavering effort of our team in maintaining quality service to our customers and to keep tight control on operating expenses that accounted for such outstanding performance. Major clients include the Mass Transit Railway Corporation, the Hong Kong Bank and Hang Seng Bank.



E-studio 4511 digital colour copier

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In general, the results of the Thailand office were not satisfactory due to the decrease in profit margin for notebook computers even though the performance of telecommunication systems improved during the year. To bring the operation back onto the growth track, reorganization of other divisions such as office equipments, notebook computers and technical and maintenance services was undertaken.

To enhance the yield during low interest period, the Company diversified its investment portfolio into high-rated structured notes and bonds. As a result, profit from those investments contributed a significant portion to the Group's results this year. The group will continue the strategy in handling its cash on hand.

Consolidation of Shares

On 5th June, 2003, the shareholders at the special general meeting of the Company approved the consolidation of every five existing issued and unissued shares of HK\$0.10 each into one new share of HK\$0.50 each in the share capital of the Company.



Mr. PK Fung, Managing Director of the Group, in the control room of Digital Surveillance and Security Systems at Two International Finance Center



Showroom in Thailand office

PROSPECTS

Last year was a tough year for the Group's business. Nevertheless, the Group was back on the profitable track after a major business restructuring in 2002 and 2003. Looking forward, the Group will evaluate the expansion of its notebook computer and telecommunication business in China. Although the Chinese government has recently implemented stringent measures to curb overheated economic activities, the economy's overall pace of growth remains robust. The Group is confident that the consumer market in China will continue to grow.

In addition, the Group is also optimistic about the recovery of the Hong Kong economy. In the first quarter of 2004, Hong Kong recorded a 6.8% y-o-y rate of growth, the fastest in more than three years. During this cycle, the economy was driven not only by a strong pick-up in consumer spending and exports, but was also supported by increased capital investment by businesses as they regained confidence in the recovering economy. Such increase in investment will, in turn, filter through into increase in spending in office and computer equipment and other related services.

After years of consolidation, the Group has emerged with better financial position and a stronger balance sheet. It will continue to improve its competitive edge in terms of product, service and operational efficiency so as to enhance its shareholders' value.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all our staff for their concerted effort in the past year.

CHOW Yei Ching

Chairman

Hong Kong, 15th July, 2004