

• Chairman's Statement

On behalf of the Board of Directors of Sky Hawk Computer Group Holdings Limited (the "Company"), I am delighted to present the first annual results of the Company and its subsidiaries ("the Group" or "Sky Hawk") since its listing on the Main Board of The Stock Exchange of Hong Kong Limited on 17 January 2002. The financial year ended 31 December 2001 marked a very significant year in the Group's history as we established an important position in the market of networking products and introduced aluminium alloyed products for high performance computing. Meanwhile, a corporate reorganization was implemented to prepare for the listing of the Company. Through the issue of an aggregate of 115 million new shares of HK\$0.1 each by way of public offer and placing ("Share Offer") in January and February 2002, at a price of HK\$0.5 per share, the Group raised net proceeds of approximately HK\$45 million. This not only provided new capital to fund the Group's future plans, but also helped to strengthen our position as a leading manufacturer and distributor of medium to premium computer peripherals, networking products and computer accessories.



Mr. Wang Chia Chin
Chairman and Executive Director

RESULTS

For the year ended 31 December 2001, the Group recorded a turnover of approximately HK\$276 million, representing an increase of 25.2% over the previous year. Profit attributable to shareholders grew by 45.5% to approximately HK\$32 million, which is 5.7% over than the profit estimate of HK\$30 million stated in the prospectus ("Prospectus") dated 8 January 2002 and issued by the company in connection with the Share Offer. Earnings per share were 10.6 Hong Kong cents. The Group's net profit margin rose to 11.5% from 9.9% in the previous year.

DIVIDEND

The Board of Directors recommended the payment of a final dividend of 0.7 Hong Kong cents per share for the year ended 31 December 2001 (2000: Nil) to the shareholders on the register of members of the Company on 17 June 2002. The proposed dividend will be paid on 2 July 2002, subject to the shareholders' approval at the forthcoming annual general meeting of the Company.

• Chairman's Statement

REVIEW

During the year 2001, Sky Hawk added further chapter to epic. We successfully positioned ourselves as one of the first movers in infusing aluminium alloy into the manufacturing of personal computer peripherals and networking products. The achievement was contributed by our talented R&D professionals as well as our resourceful sales and marketing team, with prompt response to the market needs. The commencement of delivering IPC networking products was the another masterpiece in the year, again developed by the Group's devoted staff. Our endeavors in every aspect of business developments have been rewarded with satisfactory financial results.

IPRO book size PC



IPC Server Cabinet
(IPC-9000 A.B.C.D.)



OFF line UPS 1000VA



Sky Hawk achieved an impressive growth in both turnover and net profit during the year. This success could be attributable to the management's foresight in capturing uprising market opportunities, the Group's strong research and development capabilities and our dedicated sales and marketing efforts.

With an extensive global sales and marketing network covering all major continents and active participation in the front line markets, we have been able to identify evolving market needs. This market intelligence provides Sky Hawk with valuable basis for new product development and evolution of existing product lines. The team of 72 research



4-port USB hub



Multi-media speaker

• Chairman's Statement

and development professionals succeeded in developing our own KVM switch and 10/100/1000 Mbps (1G bps) fast Ethernet switch, among others, during the year. These notable achievements led to the debut of our IPC networking server barebone systems in August 2001.

As the skeleton of a network system, Sky Hawk's IPC networking server barebone system principally comprises server cabinet, fast Ethernet switch, KVM switch, IPC chassis, UPS, redundant power supply, hot swap mobile rack, patch panel and cable connector. With only less than 5 months sales record, this single product line already contributed to 3.5% of the Group's full year turnover. This fully reflects the great market demand for networking products, which is expected to further increase in view of the ever-growing applications of the Internet. Thus, the Group is committed to placing significant resources to develop more distinctive networking products in the near future.

19" Rack-Mount 5U chassis
(IPC-5101)



4 in 1 LCD, KVM switch
(LKM-1015)



Automatic and manual data switch

Another significant breakthrough in Sky Hawk's product development during the year was the launch of aluminium alloyed chassis and frames to the market in January 2001. Aluminium alloyed products generated approximately HK\$33 million sales for the year and accounted for 11.9% of the Group's turnover, indicating that the new products are very well received by the market. Since aluminium alloy can greatly reduce the overheat phenomenon of high performance CPU and power supply, we believe the usage of aluminium alloy in the manufacture of computer and network products will become increasingly popular in future.



Redundant power supply



Aluminium alloyed chassis

• Chairman's Statement

Sky Hawk's premium products facilitated the Group to attract new customers. The number of customers increased by 6.0% during the year. In view of our unremitting efforts in expanding the OEM business and in developing the PRC market, we believe that our customers base will grow substantially.

Most of the new business generated was attributable to the effort of our own sales and marketing team. 59.4% of the total turnover was brought in by the direct sales force of Sky Hawk, as compared to around 39.4% in the previous year, and the remaining turnover came through authorized dealers and wholesalers. Such increased direct interaction with users of Sky Hawk's products has helped to enhance the Group's customer relations and strengthen the earnings base.

PROSPECTS

Building on our success in catering for evolving market needs, Sky Hawk will continue with its prompt response to the market trend and changing technologies. The Group believes high performance CPU and power supply will be widely adopted, thus further enlarging the demand for aluminium alloyed based products. As Sky Hawk is among the very few manufacturers that offers aluminium alloyed products for sale, its abilities in mastering the technologies in plating and in manipulating the properties of aluminium alloys for designing products surpassed many rivals in the industry. This has won us patronage of several motherboard producers, which accelerated the growth of the Group's OEM business. Moreover, by using aluminium alloys in and applying plating technology to manufacturing personal computer peripherals and networking products, we succeeded in rolling out wider range of innovative products continuously, which in turn created ample business opportunities for the Group's future growth.

Currently, the Group is in talks with one of the world's largest motherboard producers, secondary computer manufacturers and industrial server producers for business cooperation. Besides, we are planning to increase the number of authorized distributors in Europe and US from 9 in 2001 to 35 this year. These distributors will mainly be in charge of distributing our high-end products, such as aluminium chassis, power supply packs and Ethernet switches.

The Group also considers that the network system market represents a vast business opportunity to the Group. According to the IDC, the rack-optimized server segment increased by 87% and 13% respectively in the first and second quarter of 2001. Since most of the Group's networking products are rack mountable server chassis and components for the assembly of rack-optimized server, the Group believes its prospect in networking products will continue to benefit from the market growth. Moreover, the Group's networking products are especially suitable for small to medium enterprises ("SMEs") that would like to build their customized network systems. Without paying high premium to worldwide branded manufacturers of network systems, these SMEs can achieve a comparable level of sophistication with Sky Hawk's networking products.

It is noticeable that the IT industry will take a leading role in the strategic transformation of the PRC economy in the near future. In response to wider application of computers and the growth of Internet usage, the Group will leverage its pre-eminent R&D capabilities as well as its successful experience in overseas, to capture a major share of the PRC's computer peripherals and networking products markets. The Group is currently in talks with a LCD monitor and computer monitor manufacturer for cooperation. It is hoped that through

• Chairman's Statement

utilizing their well-founded sales network which has been established for more than five years covering over 1,200 outlets, our Group will be able to promote Sky Hawk's products in China and build up our market presence in the country. We believe such cooperation will start bringing in sales revenue to the Group from the first half of 2002.

APPRECIATION

Last year was a fruitful year for the Group and solid foundations for aggressive future development have been laid. On behalf of the Board, I would like to take this opportunity to thank the Group's valued customers, dedicated management team, diligent staff as well as the shareholders for their strong support.

Wang Chia Chin

Chairman

Hong Kong, 15 April 2002



MPC 2200

IPRO 1200

MPC 2201