

Chairman's

Statement



Strategies



I am pleased to present to shareholders this annual report of the Company and its subsidiaries (the "Group") for the year ended March 31, 2002 which is also the first report following the listing of the Company.

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") by offering 175,000,000 new shares and 42,000,000 sale shares at an offer price of HK\$0.25, with net proceeds attributable to the Company of approximately HK\$33,243,000. Details of the intended usage of the net proceeds are set out in the Prospectus of the Company dated April 29, 2002 (the "Prospectus").

The listing enables the Company to realize the following objectives:

- to consolidate its financial position
- to enhance its corporate image and market recognition
- to strengthen its capital base
- to upgrade its position in the IT products industry
- to raise the status of the Group recognised by financial institutions
- to select suitable business partners for future expansion; and
- to become a major distributor of IT products in the People's Republic of China ("PRC")

## Financial Summary

The Group's turnover for the year ended March 31, 2002 amounted to approximately HK\$1,634,218,000 (2001: HK\$1,769,946,000), representing a decrease of approximately 7.7% as compared with the corresponding period last year. Net profit attributable to shareholders amounted to approximately HK\$30,245,000 (2001: HK\$30,037,000), representing an increase of around 0.7% as compared with the corresponding period last year and an increase of approximately 0.15% as compared with the profit estimate of approximately HK\$30,200,000 stated in the Prospectus. The basic earnings per share amounted to approximately 5.76 HK cents. The Directors do not recommend payment of a final dividend for the year ended March 31, 2002.

## Business Summary

During the year under review, the downturn of the global economy as well as the "911" attack have shrunk the consumption expenditure, resulting in an indirect lowering of the price of computer hardware products. Despite the stable development of the IT products industry in the PRC, the overall profit margin of the industry had reduced as compared with that of last year. The Group, during the process of its listing, had reassessed and restructured its operating systems; and as a result the foundation of the Group has been strengthened. With its aggressive business strategies and effective cost control measures, the Group sought to break through amid stability.

The Group believes that effective cost control measures are the key to achieve competitive advantages and enhance earnings. Therefore, the Group had implemented a series of cost control measures during the year. These included broadening its distribution channels, strengthening the management of its distribution networks, reducing its inventory level, enhancing control on operating costs, improving the quality of customer services and actively updating the needs of its customers. Although the turnover and the overall profit margin of the industry decreased as compared with that of the previous year, the net profit of the Group has increased by approximately 0.7% as compared with that of last year as a result of the implementation of the above cost control measures.

The Group focuses on the distribution business of IT products and is the authorized distributor of five renowned IT products manufacturers, namely Seagate, AMD, Aztech, Guillemot and Supermicro. In order to enhance its competitiveness, the Group has actively provided value-added services to its suppliers and after-sale and technical support services to its end-users, so as to develop a sustained and good relationship between the Group and its suppliers and customers. Thus, the foundation of the distribution business could be strengthened further.

Since the PRC is the major market of its products, the Group has set up six representative offices in the PRC and actively carried out promotional activities during the year under review. At the same time, the Group provided liaison, consultation and technical support services to its customers and end-users of the products it distributed and obtained satisfactory results.

Leveraging on the Group's extensive knowledge of the industry and its management experience together with its effective cost control measures and its consistent just-in-time delivery inventory policy, the Group has successfully maintained stable development for its business during the year under review.

## Prospects

Following the PRC's admission to the World Trade Organization ("WTO"), it is expected that international investments in the PRC will increase. At the same time, PRC enterprises must make sustaining efforts to enhance operation efficiency and competitiveness. This leads to increasing demand for IT products and services and increasing business opportunities to the Group. In order to complement the 2008 Olympics, the Beijing Municipal Government has determined to turn Beijing into a "Cyber City" which in turn paves ways for immense demand for different types of networking products. Moreover, the PRC Government announced that it would invest approximately RMB1 billion to develop the "Fifteen Year Plan", in a bid to establish e-administration and to strengthen the internal efficiency. In view of this, the Group will strive to enhance the function of its representative offices in the PRC so as to provide more comprehensive promotional, planning and supporting services to its customers. Meanwhile, the Group will identify potential cities in the PRC to set up subsidiaries or representative offices to provide more diversified services.



In addition, the Group will continue to look for more renowned suppliers for distribution rights of various kinds of high quality products to diversify its distributed products range. New products being launched by the Group include CD-ROM, DVD and CD-RW under the brandname "EBrick" as well as LCD monitors under the brandname "Hercules", all are well received by the market. At the same time, the Group will broaden its client base actively to expand its distribution network, while continuing to implement effective cost control measures so as to enhance efficiency. Moreover, the Group is planning to speed up the establishment of the resources planning system and streamline its operational structure in current financial year in order to improve its resources allocation, thereby enhancing its competitiveness as a whole.

The Group is endeavoured to build on its established foundation in order to develop the market share of the products it distributed. Its objective is to become a leading IT products distributor in the PRC, and at the same time, to bring more promising return to its shareholders.

## Appreciation

Finally, I would like to express my gratitude to the directors of the board, the management and the staff for their continuous contribution to the development of the Group. At the same time, I would like to express my appreciation for the support of the shareholders. The Group is committed to drive its business further in order to enhance shareholders' value.

**Li Jialin**

*Chairman and Chief Executive Officer*

Hong Kong,  
June 27, 2002