

On behalf of eForce Holdings Limited (the "Company") and its subsidiaries (the "Group"), I would like to present the Annual Report for the year ended 31 December 2002.

## **BUSINESS OVERVIEW AND PROSPECT**

Year 2002 was an uneventful year for the Group as the impact from the September 11 incident in the US had an adverse effect to the Group's business. Nevertheless, we took the opportunity to consolidate and to reposition ourselves so as to establish a solid foundation for the Company.

Although the Company's manufacturing arm suffered substantial reduction in revenue in the first half of the year, the management stayed focused and took the time to revamp and to streamline the operation in the factory. The second half of the year saw a remarkable increase of sales by almost twice the turnover recorded in the first half of the year. During the time, the management team of the manufacturing operation had been strengthened and changes made to increase the production efficiency as well as product profitability.

The PRC software development business unit did not achieved its desired results, thus the management decided to redirect our resources towards exploring for other related business opportunities.

Owing to the difficulty and complexity in securing the telecommunications service-operating permit in the PRC, the management has decided to set aside its iBuilding projects. However the Group will still look for other business opportunities to take advantage of the cooperation agreement entered between the Group and China Infohighway Communications Co. Ltd. ("IHW") on 19 December 2001, as IHW still holds a valid ISP license in the PRC.

For the coming years, the Group will be restructured into three strategic business units, namely, Manufacturing Business Unit, Information Technology Business Unit as well as the Logistic Business Unit. The management believes that with this exercise, the Group will be able to consolidate its resources and to attain maximum efficiency. I would like to take this opportunity to highlight some of the potentials and prospects for each of these business units.

The Manufacturing Business Unit recorded significant increase in sales orders for the first quarter of 2003. The new management team with the new factory setup had secured new accounts. The board is quite comfortable with this new trend and direction that the Manufacturing Business Unit will make significant contribution to the Group's profit.

The Information Technology Business Unit will take on a different strategy in the year 2003. This business unit will embark on a collaboration and joint effort strategy to license, develop and promote new mobile and embedded computing products based upon certain *Open Source System* to all Chinese language speaking countries (including China, HK, Macau and Taiwan). This strategy is in line with our 51% acquisition in the company, Chinese 2000 Holdings Limited, which was completed on 17 January 2003.

The Company had identified that the PRC Logistics business sector as one of the main area for the future expansion. The management team will be strengthened and the Group will direct the focus into providing strategic logistics management services. The Logistic Business Unit will form a Sino-Foreign equity joint venture with Shenzhen Shum Yip Logistic Group Holdings Co. Ltd through Crown eForce Logistics Management (HK) Limited. This was published in the Company's announcement on the 14th March 2003 and it marked our first step into this business. The Joint Venture will position itself as one of the major logistics services provider in the Pearl Delta Area and the target customers are mainly international

corporations. Furthermore, the Group will look for strategic investment related to the logistics operation as well. We believe this business will provide a promising future for the Group.

With the uncertainty looming in the horizon, the war in the Middle East as well as the SARS epidemic, our prospect will inevitably be affected. However, I believe with dedication and drive to succeed, the Group will emerge stronger and more prepared to take on the future.

### **APPRECIATION**

To you, the company's stockholders, to our customers and business partners and employees, I would like to express my heartfelt sincere appreciation for the trust and support in the fiscal year ended. We are heading in the right direction and the Group is well positioned to seize the opportunities present. We hope that our corporate strategies will continue to gain your support and trust in the years ahead.