



“ I am pleased to present the shareholders with the annual report of VST Holdings Limited and its subsidiaries (“The Group”) for the year ended 31st March, 2003.”

Chairman's Statement



With a focus on IT product sales, the Group is now an authorized distributor and/or product developer for six internationally reputable IT product manufacturers including Seagate, AMD, Ebrick, Guillemot, Supermicro and VIA. To raise our competitiveness, we have been offering our suppliers first-rate value-added services, and providing our customers and end users with superior before-sales, after-sales services and technical support, through which we have built up close and long-lasting relationships with our principal suppliers and customers.

Apart from Hong Kong, the PRC is our core market. During the past year, we have been enhancing our market promotion efficiency by providing associated, consultancy and technology supports to our customers. Our business has grown steadily, supported by the sound knowledge of our management team, effective cost controls and our long-adopted instant inventory policy.

Outlook

With the PRC entering the World Trade Organization, foreign companies have sped up their business developments in the PRC, inducing positive competition between foreign and local enterprises, which as a result, further raises the operation efficiency bar for the IT technology industry in the PRC. According to the PRC's tenth "Five Year Plan", the PRC government will invest around Renminbi 1 billion to establish a scientific administrative management system. This will certainly create greater demand for IT products and generate more opportunities for the Group.

In light of the Closer Economic Partnership Arrangement (CEPA) recently signed by Hong Kong and the PRC, the Group expects to quicken its development in the IT product market and strengthen its sales network. Since the IT product market is moving at a rapid pace, the Group is planning to seek other potential PRC cities to expand its distribution channels.



In conclusion, the management expects the future market to be filled with challenges given the still-lacklustre global economy. However, we believe we can take advantage of the enormous marketing potential that inherently exists in the PRC IT market by offering diverse products and by maximizing our marketing expertise by integrating our upstream and downstream marketing channels. The combination of diverse products and an efficient marketing infrastructure should positively impact the Group with the growth of the PRC IT market.

Lastly, I wish to take this opportunity to thank all the shareholders, Directors, staff, customers and suppliers of the Group for their supports over the past years.

Li Jialin

Chairman and Chief Executive Officer

Hong Kong
9th July, 2003