OVERVIEW

The Group's turnover for the year ended 31 December 2003 increased to approximately HK$91,996,000 (2002: HK$1,606,000), representing an increase of 5,628% as compared to that of previous financial year. The gross profit from operations for the year recorded was approximately HK$1,209,000 (2002: 758,000), showing an improvement of 59.5% over last year. Loss from operations was decreased by 48% shown at approximately HK$35,243,000 (2002: HK$67,861,000) while the net loss attributable to shareholders was approximately HK$58,859,000 (2002: HK$147,980,000), representing a decrease of 60% when compared with last year. The loss per share stood at 2.21 cents (2002: 5.56 cents).

BUSINESS REVIEW

During the year under review, the Group adhered to its prudent strategy by focusing strategically in exploitation of business opportunities for Sharpo, the operating unit of the Group's core businesses, and divesting resources to strengthen Sharpo's operations in the competitive business environment. In the second half of the year, the Group established a branch specializing in trading and distribution of computer hardware which made positive contribution to both of the turnover and revenue of the Group and successfully built up a suppliers' network. Although the Group's trading and distribution business was at an initial start up stage, its performance was very encouraging. It was able to bring in new clients and offered synergy to the existing operations of Sharpo as well. Efforts will be made to further improve its profit margin and expand the client base.

Due to weak performance of the Company's shares in the stock market, the Company had encountered difficulties in attracting investors to inject funds for ongoing operations and new ventures. During the year, the Company underwent a capital reorganization exercise involving share consolidation, capital reduction, share subdivision and reduction of share premium account and ultimately, obtained sanction from the High Court of Hong Kong and completed all the relevant formalities in February 2004. The purpose of canceling paid up capital and reduction of the share premium account is to enable the Company to apply the credit arising therefrom to set off against the accumulated losses of the Company which will bring forward the time when the Company will be in a position to pay dividends. This also renders greater flexibility to the Company to raise funds through the issue of shares in the future.

CAPITAL REORGANIZATION

On 1 August 2003, the Company announced a capital reorganization proposal (the "Capital Reorganization Proposal"); the entering into of a subscription agreement dated 30 June 2003 with Aimstar Holdings Limited ("Aimstar") and Mr. Chan Tat Chee as guarantor (the "Subscription Agreement") in relation to the subscription of an aggregate of 29,500,000 adjusted shares of HK$0.10 each in the Company (the "Adjusted Shares") by Aimstar for a total consideration of HK$18,000,000 (the "Subscription") and the whitewash waiver (the "Whitewash Waiver").

The Capital Reorganization Proposal, the Subscription Agreement and the Whitewash Waiver were all approved by the shareholders of the Company on 3 October 2003. On 3 February 2004, the petition for the confirmation of capital reduction was heard and sanctioned by the High Court of Hong Kong and copies of the confirming order together with the minute were also filed and registered with the Registrar of Companies in Hong Kong on the same date. Completion of the Subscription was took place on 10 February 2004, the net proceeds of HK$15,500,000 derived therefrom was applied to repay substantial portion of the Group's bank borrowing due to The Bank of China (Hong Kong) Limited ("BOC").

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group is financed by resources from its equity capital base; internal cash flow generated by operations and disposal of non-core assets and investments and bank borrowings.

As at 31 December 2003, the Group had net current liabilities of approximately HK$13,510,000 (2002: net current assets of HK$13,571,000) and shareholders' fund of approximately HK$34,290,000 (2002: HK$93,149,000). The decrease in the net current assets was mainly attributable to the loss for the year and disposal of non-core assets and investments during the year.

Owing to the decrease in asset base of the Group during the year, the current ratio, being the ratio of current assets to current liabilities, decreased to 0.50 (2002: 1.61). The gearing ratio, calculated as total borrowings to the Group's shareholders' fund was reported at 0.48 (2002: 0.20).

As at 31 December 2003, the Group had outstanding bank borrowings amounting to US$2,143,993, equivalent to approximately HK$16,723,000 (2002: HK$18,672,000) due to BOC. Due to internal cash flow difficulties, the Group was unable to meet with its repayment obligation under the loan agreement in March 2003 and, accordingly, on 19 June 2003, the Company received a writ of summons together with the statement of claim from BOC, as plaintiff, claiming for the outstanding loan amount together with overdue interests. In February 2004, the Company had repaid HK$15,500,000, being the subscription money derived from the placement of 29,500,000 Adjusted Shares to Aimstar pursuant to the Subscription Agreement, to BOC and is now negotiating with BOC in respect of the repayment of the remaining balance. After repayment of the substantial portion of the outstanding bank borrowings to BOC in February 2004, the debt position of the Group has been greatly improved.

Significant Investments and Acquisitions

During the year, the Group did not have new investments or material acquisitions. The Group continued to devote its resources to Sharpo, its core operations consisting of computer hardware and maintenance support services; software design and development services.

Lease Commitments

As at 31 December 2003, the Group has operating lease commitment of approximately HK$3,558,000 (as at 31 December 2002: HK$6,936,000). This commitment represents the total future minimum lease payments under the operating leases in respect of the rented office premises and staff quarters of the Group.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's borrowings are denominated in United States dollars while the turnover of the Group is mainly denominated in Hong Kong dollars and Renminbi. Since the exchanges rates of United States dollars and Renminbi were relatively stable during the year under review, the Group's exposure to fluctuations in exchange rates was considered as minimal and no financial instruments were used for hedging purpose.

Contingent Liabilities and Capital Commitments

The Group did not have any significant contingent liabilities and capital commitments as at 31 December 2003.

Pledge of Assets

Save as disclosed in the note 23 to the financial statements, the Group did not have material change in pledge of assets during the year under review.

EMPLOYEES

As at 31 December 2003, the Group had 53 employees (2002: 79), 30 of whom were based in the PRC. For the year ended 31 December 2003, the total staff costs amounted to approximately HK$18,335,000 (2002: HK$24,351,000). The Group offers comprehensive remuneration and benefit packages to its employees in accordance with the prevailing market practices, individual performance and merit. The Group also has a mandatory provident fund scheme for all of its employees in Hong Kong.

In addition to the basic salaries, discretionary year-end bonus and retirement scheme, employees, including directors, are also eligible under the share option scheme, which was adopted by the Company in 2002.