

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Sky Hawk Computer Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2003.

Since its successful listing, the Group experienced an all-out product and business restructuring. The results of the transformation of customers' pattern and all-out production open book management restructure have gradually manifested in the second half of 2003. In regard of sales and marketing, the Group had accomplished the followings during the year: it halted the production of all medium-to-low-end computer peripherals and shifted the focus to the research and development, production, and sales to high-end profitable products, re-positioned itself to the sales of high grade aluminum alloy computer chassis, phased out distributors who failed to accommodate our sales plan, developed high-end products with sizable prestigious manufacturers; at the same time, the Group continued to develop its customer base for OEM/ODM products by collaborating with DIY market brands manufacturers and motherboard and barebone system manufacturers. As of present, there are already 12 successful projects under process. Products were produced and shipments were made



continuously. The Group achieved manifested results and would continue its efforts in developing more potential and reputable clients for more sales orders. It further demonstrates our firm commitment to its operating management strategies.

FUTURE DEVELOPMENT

In view of the insufficient sales volume of high-end products to meet the production capacity in 2004, the Group has formulated a new proposal to develop the least-cost iron computer case and power supply pack in late March 2004. Such proposal was to gain business by quantity and the processing fee arising thereof would be used for the payment of administrative and sales expenses. Thus the remaining production capacity could be utilized due to the inadequate orders of high-end aluminum alloy case. As such, the Company will be able to develop high-end aluminum alloy products and cultivate a customer base without expanding the production facilities. The growth of orders for aluminum alloy products is comparatively slow and yet the profit for such products are high.

For OEM/ODM business, it is anticipated that the cooperation with SUPERMICRO, ASUS, DIXONS, NEC, PACKBELL would commence shortly in the first half of 2004. In the 2004 CeBit Computer Exhibition in Germany, the Group displayed its unparalleled new product series of IPC, BTX, KVM, etc.. The Group took advantage of the exhibition to expand its sales network and achieve a higher performance in terms of turnover.

It is also anticipated that the production plant would be relocated to the newly-built site (a single-storey industrial factory built in accordance with the Group's actual operation needs) in Shenzhen Industrial Area within the Shenzhen Processing and Export Region in mid-June 2004. Its floor area is 30,000 square meter and the building area is 20,000 square meter.

The production structure of the Group is a highly self-sufficient one-stop operation with various different production procedures and facilities. However, the procedures and facilities are interrelated and there existed conflicts and difficulties in management and execution. To set up a subsidiary (a new and independent factory) consisting of the punching department and plastics, cutting, modeling and NC prototype departments in order to separate management and production component supply would solve the problem. The factory is also single-storey and has commences production mid-March.

WANG CHIA CHIN

Chairman

Hong Kong, 28 April 2004