

Chairman's Statement

OVERVIEW

In face of the financial and operational difficulties as announced in 2002, the management has been aggressively seeking for opportunities to reinforce the financial and capital structure of Huabao International Holdings Limited (formerly known as Leapteck Limited) (the "Company") and its subsidiaries (collectively known as the "Group"). On 22nd March, 2004, the Company successfully introduced a new investor, Mogul Enterprises Limited ("Mogul"), as its controlling shareholder. Upon the closing of the mandatory unconditional cash offer on 16th April, 2004, Mogul was interested in the issued ordinary share capital of the Company as to approximately 70.04%. The five new directors appointed by the Company on 29th March, 2004 (the "Current Directors"), while the five former directors all resigned on 17th April, 2004. On behalf of the Group, I would like to express our gratitude to our former directors for their contributions to the Group.

After the formation of new management under the controlling shareholder, the Company was renamed as Huabao International Holdings Limited, effective from 30th April, 2004.

In order to streamline the structure of the Group and to dispose of certain subsidiaries located in the mainland of the People's Republic of China (the "PRC") which had unclear financial situation and condition, the Group has disposed of all its interests in those subsidiaries by way of a major transaction. The disposal was passed at the SGM held on 19th March, 2004 and was completed on the same day.

RESULTS

For the year ended 31st March, 2004, the Group recorded a turnover of HK\$26,723,000, an increase of 1.36 times to HK\$11,315,000 of the previous year. Loss for the year was HK\$7,502,000 (2003: HK\$5,957,000). The Group's entire turnover was derived from the trading of computer-related products and consumer electronic products to the customers in the PRC and Hong Kong.

FUTURE PROSPECTS

The management is currently reviewing the Group's financial situation and the business operations in detail, with the aim to devise appropriate business plans and strategies for the Group. In view of the remarkable growth in the PRC's GDP in 2003, the management is convinced that the PRC economy will be creating immense opportunities for various sectors as it emerges as a promising force amongst the global economy. Our current management possesses extensive management and investment experiences in the PRC in a range of industries, and the businesses they established in the PRC include production and sales of fine chemical products, information technology and medical center. With these solid experiences and resources, I believe the Group will be able to keep on consolidating and growing its existing trading businesses, while at the same time tapping on the swift economic development in the PRC to further explore business opportunities that can bring along rich returns and prosperous growth.

I would like to thank the Board and our staff for their support and dedication towards the Group. In appreciation of the trust and support of our shareholders, we will continue to put efforts in earning higher returns for them.