



The Board of Directors (“the Board” or, in case of its members, “Directors”) of Sky Hawk Computer Group Holdings Limited (“Company”), submit herewith their annual report together with the audited financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2004.

### GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 27 July 2001 as an exempted company with limited liabilities under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation to rationalise the group structure in preparation for the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), the Company became the holding company of the Group on 28 December 2001.

On 17 January 2002, the shares of the Company were listed on the Stock Exchange.

### PRINCIPAL ACTIVITIES

The principal activity the Company is investment holding. The principle activities and other particulars of the subsidiaries of the Company are set out in note 16 to the financial statements. The analysis of the Group’s principal activities and geographical locations of customers of the Group during the financial year are set out in notes 4 and 26 to the financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group’s sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group’s total	
	Sales	Purchases
The largest customer	32.0%	–
Five largest customers in aggregate	57.7%	–
The largest supplier	–	16.2%
Five largest suppliers in aggregate	–	39.0%

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company’s share capital) had any interest in these major customer or suppliers.



## FINANCIAL STATEMENTS

The results of the Group for year ended 31 December 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 23 to 49.

## DIVIDENDS

No dividend was paid or proposed during 2004, nor has any dividend been declared since the balance sheet date.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

## SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 22 to the financial statements.

## RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 24 to the financial statements, respectively.

## DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

### Executive Directors

Mr. Wang Chia Chin, *Chairman*

Mr. Chen Ho Fa

Mr. Chen Fang Yu

Mr. Wang Chia Chun (resigned on 31 May 2004)

### Independent non-executive Directors

Mr. Chen Chin Ming

Mr. Lui Cho Tak

Mr. Hirotsuke Yogo (appointed on 28 September 2004)



In accordance with article 108A of the Company's articles of association, Mr. Chen Fang Yu will retire and, being eligible, Mr. Wang Chia Chin offers himself for re-election at the forthcoming annual general meeting.

### **DIRECTOR'S SERVICE CONTRACTS**

Mr. Wang Chia Chin, Mr. Chen Ho Fa and Mr. Chen Fang Yu, being all executive Directors, has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 January 2002, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

### **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES**

As at 31 December 2004, the interests and short positions of the Directors and chief executive of the Company, or their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the "SF Ordinance") which had been notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SF Ordinance (including interests and short positions in which they were deemed or taken to have under such provisions of the SF Ordinance) or which were required pursuant to section 352 of the SF Ordinance, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities



Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”), to be notified to Company and the Stock Exchange were as follows:

Name of Director	Company/Name of associated corporation	Capacity	Number and class of shares/securities (Note 3)
Wang Chia Chin	The Company	(i) beneficial owner	117,151,000 ordinary shares of HK0.1 each (L)
		(ii) Interest of spouse (Note 1)	126,252,000 ordinary shares of HK\$0.1 each (L)
	Eagle Lord Development Limited	beneficial owner	4,920 non-voting deferred shares of HK\$1 each (L)
Chen Fang Yu	The Company	(i) beneficial owner	3,436,000 ordinary shares of HK\$0.1 each (L)
		(ii) interest of spouse (Note 2)	580,000 ordinary shares of HK\$0.1 each (L)
Chen Ho Fa	The Company	beneficial owner	2,804,000 ordinary shares of HK\$0.1 each

*Notes:*

- These shares are held by Ms. Ko Su Mei, wife of Mr. Wang Chia Chin.
- These shares are held by Ms. Wang Li Hui, wife of Mr. Chen Fang Yu.
- The letter “L” denotes the long position in the relevant shares.



## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, the interests or short positions of every person, other than the Directors and the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SF Ordinance were as follows:

Name	Number of Shares	Capacity	Approximate Percentage to the issued share capital of the Company
Ko Su Mei	126,252,000 <i>(L) (Note 1)</i>	(i) beneficial owner	25.51%
	117,151,000 <i>(L) (Note 2)</i>	(ii) interest of spouse <i>(Note 1)</i>	23.67%
Wang Chia Chun	27,700,000	beneficial owner	5.60%
Ko Kin Hang	26,764,000	beneficial owner	5.41%

*Notes:*

1. The letter "L" denotes the person's long position in the relevant shares.
2. These 117,151,000 shares were held and beneficially owned by Mr. Wang Chia Chin, the spouse of Ms. Ko Su Mei. Ms. Ko Su Mei is taken to be interested in these 117,151,000 shares by virtue of the SF Ordinance.



Save as disclosed above, no person had notified the Company that he/she/ it has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SF Ordinance as at 31 December 2004.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the headings "Directors' and chief executive's interests in shares" above and "Share option scheme" below, at no time during the year were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or chief executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

No contract of significance to which the Company or its subsidiaries was a party, in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence the year under review.

## **CONNECTED TRANSACTIONS**

During the year there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

During the year and up to the date of this report, none of the Directors are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Listing Rules, other than those business of which the directors were appointed as directors to represent the of the interest of the Company and/or the Group.



## SHARE OPTION SCHEME

The Company operates a share option scheme ("Share Option Scheme"), for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Share Option Scheme became effective on 17 January 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Eligible participants of the Share Option Scheme include (i) any employee or proposed employee of the Group or any entity ("Invested Entity") in which any member of the Group holds any equity interest (including any executive Director of the Group or any Invested Entity); (ii) any non-executive Directors of the Group; (iii) any supplier or customer of the Group or any Invested Entity; (iv) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; (v) any shareholder of any member of the Group or any Invested Entity or any holder or any securities issued by any member of the Group or any Invested Entity; and (vi) any other group or classes of participants from time to time determined by the directors of the Company as having contributed or may contribute by way of joint venture, business alliances or other business arrangements to the development and growth of the Group.

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company (or the subsidiary) from time to time.

As at the date of this report, the total number of shares of the Company which may be issued upon exercise of all option to be granted under the Share Option Scheme is 49,500,000 representing 10% of the issued share capital of the Company as at the date of this annual report. The maximum number of shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.



Share options granted to Directors, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share option granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares, at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period for the share options granted is determinable by the Directors, which may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Share Option Scheme.

The subscription price for share under the Share Option Scheme shall be a price determined by the Directors, but shall not less than the highest of (i) the closing price of shares of the Company as stated in the daily quotations sheet of The Stock Exchange on the date of the offer of the grant, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the or the offer of grant; and (iii) the nominal value of the shares of the Company.

During the year under review and up to the date of this report, no share option was granted or agreed to be granted under the Share Option Scheme.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.





## **PURCHASES, REDEMPTIONS OR SALES OF COMPANY'S LISTED SECURITIES**

There were no purchases, redemptions or sales of the Company's listed securities by the Company or any of its subsidiaries during the year.

## **BANK LOANS**

Particulars of bank loans of the Group as at 31 December 2004 are set out in note 20 to the financial statements.

## **FIVE YEARS FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 50.

## **RETIREMENT SCHEMES**

The Group's subsidiary in the People's Republic of China (the "PRC") participates in a defined contribution retirement scheme organized by the PRC municipal government and is required to make contribution at 8% of the relevant PRC employees' salaries to the scheme. The Group's subsidiary in Hong Kong has also participated in a mandatory provident fund scheme for its staff baled in Hong Kong pursuant to the Mandatory Provident Fund Schemes Ordinance. Save as disclosed the Group was not required to operate any other retirement schemes for its employees and the Group had no other obligation to make payments in respect of retirement benefits of its employees during the year.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

The Company has complied with the Code of Best Practice as set out in Appendix 14 to the rules (the "Listing Rules") governing the listing of securities on the Stock Exchange.

## **AUDIT COMMITTEE**

The Company's audit committee (the "committee") has met with the Group's senior management and external auditors to review the effectiveness of the internal control systems and the financial statements for the year ended 31 December 2004. The members of the committee are Mr. Chen Chin Ming, Mr. Lui Cho Tak and Mr. Hirosuke Yogo, all of them are independent non-executive Directors of the Company.



## AUDITORS

The financial statements of the Group for the year ended 31 December 2002 was audited by KPMG.

During the year ended 31 December 2003, KPMG resigned and KLL Associates CPA Limited were appointed as auditors of the Company. The financial statements of the Group for the years ended 31 December 2003 and 2004 have been audited by KLL Associates CPA Limited.

A resolution will be submitted to the forthcoming annual general meeting to reappoint KLL Associates CPA Limited as auditors of the Company.

By order of the Board

**Wang Chia Chin**

*Chairman*

Hong Kong, 25 April 2005