



# Sky Hawk Computer Group Holdings Limited

## 天鷹電腦集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

### Announcement of results for the year ended 31 December 2002

The board of directors (the "Board") of Sky Hawk Computer Group Holdings Limited 天鷹電腦集團控股有限公司 (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2002, together with comparative figures for the year ended 31 December 2001, are as follows:

#### CONSOLIDATED INCOME STATEMENT

		2002	2001
	Note	HK\$'000	HK\$'000
Turnover	3&10	130,369	275,854
Cost of sales		(117,239)	(210,164)
		<b>13,130</b>	65,690
Other net income	4	208	1,821
Distribution costs		(20,249)	(14,911)
Provision for doubtful debts		(30,662)	(5,902)
Administrative expenses		(13,759)	(10,943)
(Loss)/profit from operations		(51,332)	35,755
Finance costs		(520)	(1,270)
(Loss)/profit from ordinary activities before taxation	5	(51,852)	34,485
Taxation	6	—	(2,782)
(Loss)/profit attributable to shareholders		<b>(51,852)</b>	31,703
Basic (loss)/earnings per share	7	<b>(12.7) cents</b>	10.6 cents

Notes:

#### 1. GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 27 July 2001 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company became the holding company of the Group on 28 December 2001 through a reorganisation (the "Reorganisation"), details of which were set out in the prospectus of the Company dated 8 January 2002 (the "Prospectus").

#### 2. BASIS OF PRESENTATION

The Company and its subsidiaries (the "Group") resulting from the Reorganisation have been regarded as a continuing group. Accordingly the consolidated financial statements of the Group have been prepared on the basis of merger accounting in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 2.127 "Accounting for Group Reconstructions". On this basis, the Company was the holding company of the Group throughout the year ended 31 December 2001 rather than from 28 December 2001. In the opinion of the directors of the Company, the resulting consolidated financial statements give a more meaningful view of the results and the state of affairs of the Group as a whole.

#### 3. TURNOVER

The Group is principally engaged in the manufacture and distribution of medium to premium personal computer peripherals, networking products and computer accessories.

Turnover represents the aggregate of the invoiced value of goods sold, after deducting goods returned, trade discounts and value added tax.

An analysis of the Group's turnover and contribution to its (loss)/profit from operations by products category is as follows:

	Group's turnover		Contribution to (loss)/profit from operations	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Personal computer peripherals	92,740	182,665	6,618	33,040
Networking products	31,067	81,457	5,263	28,419
Computer accessories	6,562	11,732	1,249	4,231
	<b>130,369</b>	<b>275,854</b>	<b>13,130</b>	65,690
Operating expenses			(64,462)	(29,935)
			<b>(51,332)</b>	35,755

Pursuant to the relevant tax regulations of the People's Republic of China ("PRC"), a subsidiary in the PRC is predominantly engaged in export sales and is exempted from value added tax which is levied at 17% of the sales less any input value added tax incurred by the subsidiary.

#### 4. OTHER NET INCOME

	2002	2001
	HK\$'000	HK\$'000
Interest income	283	116
Net (loss)/gain on disposal of fixed assets	(2,841)	71
Net exchange gain	1,326	115
Gains on disposal of scrap materials	1,440	1,519
	<b>208</b>	1,821

#### 5. (LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit from ordinary activities before taxation is arrived at after charging/(crediting):

	The Group	
	2002	2001
	HK\$'000	HK\$'000
(a) Finance costs:		
Interest on bank loans wholly repayable within five years	520	1,270
(b) Staff costs:		
Staff costs*		
— wages, salaries and benefits	17,067	22,174
— contributions to defined contribution retirement scheme	507	596
	<b>17,574</b>	22,770
Average number of employees during the year	<b>1,166</b>	1,708

	The Group	
	2002	2001
	HK\$'000	HK\$'000
(c) Other items:		
Auditors' remuneration	1,217	1,044
Cost of inventories*	117,239	210,164
Depreciation*	9,957	9,985
Operating lease charges in respect of properties*	5,267	5,236
Provision for doubtful debts	30,662	5,902
Provision for inventory obsolescence	7,076	401
Research and development costs	2,743	1,407

\* Cost of inventories includes \$22,719,000 (2001: \$28,792,000) relating to staff costs, depreciation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

#### 6. TAXATION

Taxation in the consolidated income statement represents:

	2002	2001
	HK\$'000	HK\$'000
Provision for tax for the year:		
— Income tax outside Hong Kong	—	3,284
— Hong Kong profits tax	—	—
Overprovision of PRC income tax in respect of prior year	—	(502)
	<b>—</b>	2,782

No provisions have been made for Hong Kong profits tax as the Group did not have profits assessable to Hong Kong profits tax for the years ended 31 December 2002 and 2001.

No provision has been made for PRC income tax as the Group did not have profits assessable to PRC income tax for the year ended 31 December 2002. As a subsidiary in the PRC was granted certain tax relief during the year ended 31 December 2001, under which it was entitled to a reduced tax rate of 10%, the overprovision in respect of the prior year was written back during the year ended 31 December 2001.

No provision for Taiwan income tax has been made for the year ended 31 December 2002 as the subsidiary in Taiwan sustained a loss for taxation purposes. The provision for Taiwan income tax was calculated at the applicable tax rate of 25% on the estimated assessable profits in 2001.

Deferred tax assets of the Company have not been recognised in the financial statements as it is not certain that the benefits will be realised in the foreseeable future.

#### 7. (LOSS)/EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's loss attributable to shareholders of HK\$51,852,000 (2001: profit of HK\$31,703,000) and the weighted average of 409,136,986 (2001: 300,000,000) ordinary shares in issue during the year, being the shares that would have been in issue throughout the year on the assumption that the Reorganisation as set out in the section headed "Resolutions of all shareholders of the Company passed on 28 December 2001" in Appendix V to the Prospectus were completed on 1 January 2001.

There were no potential dilutive shares in issue during the year ended 31 December 2002.

#### 8. DIVIDENDS

The Board of Directors does not recommend the payment of a dividend for the year ended 31 December 2002 (2001: 0.7 cents) per share.

#### 9. RESERVES

	Share premium	Statutory reserve fund	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2001	—	97	87,085	87,182
Profit for the year	—	—	31,703	31,703
Shares issued upon group restructuring	3,189	—	—	3,189
Transfer to statutory reserve fund	—	131	(131)	—
At 31 December 2001	<b>3,189</b>	<b>228</b>	<b>118,657</b>	<b>122,074</b>
At 1 January 2002	3,189	228	118,657	122,074
Loss for the year	—	—	(51,852)	(51,852)
Shares issued upon listing on Stock Exchange	45,737	—	—	45,737
Capitalisation issue	(29,800)	—	—	(29,800)
Share issuance expense	(12,534)	—	—	(12,534)
Dividend	—	—	(2,905)	(2,905)
At 31 December 2002	<b>6,592</b>	<b>228</b>	<b>63,900</b>	<b>70,720</b>

Note:

#### Statutory reserve fund

In accordance with the relevant PRC laws applicable to enterprises with foreign investment, the Company's subsidiary in the PRC is required to transfer at least 10% of its annual net profit, as determined under PRC accounting rules and regulations, to the statutory reserve fund until the reserve balance reaches 50% of the registered capital. This reserve can be used to convert into paid-in capital and offset to reduce prior years' losses, if any.

Under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the funds in the contributed surplus account and share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

#### 10. SEGMENTAL REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

#### (a) Business segment

Throughout the year, the Group has been operating in a single business segment, i.e. the manufacturing and sale of computer peripherals.

#### (b) Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditures are based on the geographical location of the assets.

The Group's business is managed on a worldwide basis, but participates in four major principal economic environments: Europe, Asia Pacific, North America and South Africa. In Europe, the customers are mainly from Spain, Germany, France, Austria, and Italy. In Asia Pacific, the customers are mainly from Japan, Korea, and Australia. And in North America, the customers are mainly from the United States of America.

All segment assets and capital expenditures are in the PRC (including Hong Kong and Taiwan).

Revenue from external customers

	2002	2001
	HK\$'000	HK\$'000
Europe	34,538	124,684
Asia Pacific	43,928	69,763
North America	46,981	67,185
South Africa	4,922	14,222
	<b>130,369</b>	<b>275,854</b>

There is no major disparity in the ratios between turnover and profit in relation to the above geographical locations, hence no analysis is given of the profit contributions from the above geographical locations.

#### FINANCIAL PERFORMANCE

For the year ended 31 December 2002, the Group recorded a turnover of approximately HK\$130 million, representing a decrease of 53% over the previous year. During the year under review, the Group recorded a loss of HK\$52 million, compared to last year's profit of HK\$32 million.

Reference was made to the announcement made by the Company on 2 May 2003, which was published on the Standard and the Hong Kong Economic Times on 3 May 2003 regarding, among other matters, the unaudited consolidated income statement of the Group for the year ended 31 December 2002 ("2002 Unaudited Financial Statement"). There is an increase of approximately HK\$22.46 million in the loss attributable to shareholders in the Company's audited final results in 2002 set out hereof as compared to that of the 2002 Unaudited Financial Statement. Such difference was mainly due to the following reasons:

- The Company made a preliminary provision for bad and doubtful debt of approximately HK\$15 million only when preparing the 2002 Unaudited Financial Statement as the recovery assessment on our accounts receivable was not yet completed. Owing to the global economic downturn, the business environment for computer and electronics sectors rapidly deteriorated at the end of 2002. As a result, some of our customers experienced cashflow difficulties and defaulted on payment. Subsequent to a comprehensive and complete assessment on our customers around the world, the Company tracked down a list of customers with worsening financial position, who had already defaulted on payment from 7 months to over 1 year. Such customers with accounts receivable which was comparatively more difficult to recover were mainly from Vienna, Italy, France, Hamburg and South Africa. The Company made full provision for the accounts receivable from those customers defaulting on payment for over 1 year and those with accounts receivable which was comparatively more difficult to recover and a 50% provision for the accounts receivable from those defaulting on payment for 6 months or above, totalling an aggregate amount of approximately HK\$30.66 million as shown in the consolidated audited income statement for the year ended 31 December 2002 of the Company. The Company has demanded a return of goods delivered from and stopped all delivery orders to such customers. Also, on a case-by-case basis, the Company intends to institute legal proceedings through its lawyer to claim the outstanding payments from them.
- The Company made a preliminary provision of about HK\$2.753 million for those products no longer produced by the Group in preparation of the 2002 Unaudited Financial Statement. As the Company was undergoing a transformation of products from low-end computer peripherals to high-end computer peripherals in 2002, it made a further provision of about HK\$4.267 million for those slow-moving low-end computer peripherals and their raw materials in stock with market prices lower than their costs, totalling of about HK\$7.02 million as shown in the audited consolidated income statement for the year ended 31 December 2002.

In addition to the sluggish economic environment, the Group's business restructuring was another major reason for the lower turnover and loss for the year. The Group intentionally took no orders for iron PC products from March 2002 in order to cater for the growing demand for aluminum alloy products, most of which was on OEM/ODM basis. These OEM/ODM projects took greater development efforts and longer cycles to conclude the contracts. The move to premium products has also caused a reduction in the Group's customer number, thus affecting the financial performance particularly in the second half of 2002. However, with the launch of lower-priced aluminum alloy-ferrous (zincum) computer chassis and computer products, which received excellent responses in the market, old customers returned to the Group with new orders; however, the increased orders of the Group in the second half of the year were still not enough to cover the reduced sales in the first half of the year. As such, it inevitably resulted in a lower full year profit, though the Group has completed its restructuring to form a strong base for reigniting long-term growth.

The overall gross profit margin decreased from 24% to 10%, resulted from a stock provision of about HK\$7 million and the decrease in sales. The increase in distribution costs was due to the Group increased its marketing activities during the year. The provision for doubtful debts of about HK\$30 million had a direct impact on the Group's bottom line as well as the net loss in the year under review.

#### BUSINESS REVIEW

##### Personal Computer Peripherals

From the second half of 2002, market demand for aluminum alloy-ferrous (zincum) computer chassis and computer products introduced by the Group had been encouraging. The Group's multi-media speaker and power supply pack products also received favorable responses especially from the "Do-It-Yourself" (DIY) markets. However, the Group's decision to stop taking orders of iron PC peripherals as well as the reduction of product prices by around 20% during the first half of 2002, led to a 49% decrease in sales of this business for the full year. It is the Group's aim to shorten the gap with its competitors and take the possession of the computer markets. Gross margin of this product category recorded a decrease of 61% as a result of technical popularisation.

##### Networking Products

In the area of networking products, sales accounted for 24% a share of the total turnover as compared to 30% in 2001. The decrease in turnover by 62% was due to changes in customer behaviour when ordering power supplies for their network systems. Gross profit in this product category also decreased 81%, while the gross profit margin decreased to 17% (2001: 35%).

## Computer Accessories

As the Company looks on computer accessories as complementary products offered to meet customers' comprehensive needs, this product category does not constitute a major source of revenue for the Group. Its share over the overall turnover was around 5% in the year under review.

## Research and Development Achievements

Riding on the Group's experience and accurate perception of market trends, the Company's research and development professionals have concentrated on the development of new products to cater for evolving market needs. During the year under review, the Group successfully launched a range of new products including high-end aluminum alloy barebone systems MPC 2200/2201(RFS), Aluminum PC case of PSR 46 series, PSR 56 series, IMC 62 series, VMC 7288 and Networking product of Gigabit Ethernet Switches Hub with Auto MDI/MDIX, 10/100/1000 Mbps Networking Interface Card, 2 to 8 ports Keyboard/Mouse Switch and 15" & 17" LCD Monitor. This comprehensive product mix is tailored for different scale and scope of individual users.

In addition, the Group obtained technology patents for functionality front panel, CDR flip cover, Anodizing technology as well as EMI/EMC International Safety Standard Accreditation. These recognitions further demonstrate the capabilities of the Group's research and development professionals as well as the high quality that the Company embraces.

## OEM/ODM Business & Agents Networks

Concurrent with the business restructuring plan, the Group placed tremendous effort into expanding its OEM/ODM client base and agents network for the aluminum alloy and aluminum alloy-steel (zincum) computer chassis and computer products. The latter products not only captured most of the old clients who used to purchase iron chassis, but also attracted new customers to the Group. More OEM/ODM contracts keep flowing in from new clients, including the renowned Taiwan-based motherboard manufacturers, VIA, Shuttle Inc., Jetway, Fretech, and a PRC computer manufacturer Great Wall Computer, Langchao Group, Hisense and Furistock.

The Group's participation in the Computex Taipei 2002 in June and Comdex Fall Las Vegas in November 2002 brought fruitful results as the Group signed cooperation agreements with a number of new agents. These new agents include Liata in Canada, AMAX, Leadertech System of Chicago, Maxtop Technology Corp. and Mwave, A-Top and Fudin in the United States; Bonchic, EET Riga, Gtek, Microplex, Quad Computer, Premier & Jet in Germany; Morex and Time in England; iCute, Enermax and Green Choice in Taiwan; and BCN, DMA, EYO, Westan and Anyware in Australia. The Group also appointed new agents in Hong Kong including the Eurone Group, Genteelord International Limited, Hornington, 099 Power and Crown Joy.

The Company has taken a significant step forward to channel its sophisticated aluminum alloy and aluminum alloy-steel (zincum) computer chassis and computer products through the agents' extensive distribution networks. As a result, a number of systems integration companies and computer manufacturers in the United States, such as Pacific Magtron International Corp. and Everin America Inc., have also placed PC chassis orders to the Group. The agents' network not only help the Group to stay ahead of its competitors, but also extend the Group's brand-name to worldwide markets, raising the growth potential of the Group.

## Geographical Analysis

For the year ended 2002, 36% of the Group's sales were generated from North America. At the same time the Asia Pacific surpassed Europe, accounted for 34% of total sales. The Group successfully recorded its first sales in the PRC which successfully enhances its business performance in the Asia Pacific. Europe accounted for 26% of the Group's overall sales. South Africa has also shown stable sales as compared to the corresponding period last year.

## PROSPECTS

As the business transformation basically completed in 2002, the Group is set to optimise the utilisation of its resources and improve return on invested capital in 2003 and onward. With a refined business focus and medium to premium products, the Board and the management are confident of the Group's future outlook.

Apart from seeing greater contribution from the new products launched last year, the Group will continue with its new product initiatives in 2003. In addition to aluminum alloy-steel (zincum) computer chassis and computer products, the Group will continue to leverage on its research and development capabilities for the launch of Bronze-steel Chassis and 17" LCD monitors, raising penetration in the market. These innovative products will reinforce the Company's pioneering position in the industry.

An ongoing commitment of the Group is to expand ODM business and agents' network. The Group has made significant progress in this area to date, as the leading aluminum alloy and aluminum alloy-steel (zincum) computer chassis and computer products have captured the attention of distinguished market players worldwide. These include VIA Technologies Inc., ANTEC, ASI, CompUSA Inc., Jetway, Fretech, LG, Hisense and First International Computer etc, who begun to place orders for the Company's products in April of 2002, from computer chassis (Series: IPX 8201, VMC 7288, INC 6266, 6272 & ATX 56 series), power supply packs, keyboards, mouse units, subwoofers, speakers etc. To reach worldwide potential clients with its sophisticated products, the Company will continue to proactively take part in scalable computer exhibitions around the globe.

Fueled by buoyant consumer spending and its entry to the World Trade Organisation (WTO), the PRC continues to thrive as one of Asia's leading economies. Therefore, the Group will establish new sales and marketing channels in each of the major provinces and municipalities in the PRC in order to capture the growing demand for computer peripherals and networking products there. Together with stronger sales and marketing channels in the existing markets, the Group is confident of achieving better results for the coming year.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2002, the Group had cash and bank balances of a total amount of approximately HK\$15.9 million and net current assets of approximately HK\$62.4 million. The Group has consistently maintained a solid working capital base during the period under review. As at 31 December 2002, the current liabilities of the Group was approximately HK\$61.8 million whilst the Group had outstanding borrowings of approximately HK\$12.3 million. The Group's banking facilities are secured by a property of the Group. The gearing ratio (total liabilities to total assets) was 35.5% (at 31 December 2001: 40.5%)

## TREASURY POLICIES

With the focus on risk management, the Group adopts a conservative approach towards its treasury policies in order to monitor its foreign exchange risk, credit risk and liquidity risk. Monetary assets of the Group include cash, trade receivables, prepayments and other receivables. Monetary liabilities of the Group include trade payables, secured bank loans, accrued expenses and other payables. The Group strives to minimise the foreign exchange risk by achieving a balance between monetary assets and monetary liabilities in foreign currencies against Hong Kong dollars. To reduce exposure to credit risk, the Group performs ongoing credit evaluations of the financial condition of its customers. To manage liquidity risk, the Group closely monitors its liquidity to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding needs.

## USE OF PROCEEDS

The net proceeds raised from the placing and public offer of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") amounted to approximately HK\$45 million. As at 31 December 2002, the Group has utilised a total of approximately HK\$41 million of the net proceeds. Approximately HK\$16.7

million, HK\$11.4 million, HK\$2.9 million and HK\$10.6 million had been applied towards sales development, research & development, production facility and working capital expenses respectively. The remaining net proceeds are placed on interest-bearing deposits with licensed banks in Hong Kong. The use of the net proceeds was in line with the disclosure made in the Prospectus.

## CONTINGENT LIABILITIES

At 31 December 2002, there were contingent liabilities in respect of banking facilities utilised by certain subsidiaries and guaranteed by the Company amounting to approximately HK\$10,439,000 (2001: Nil).

## EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2002, the Group had 1,166 employees in the PRC (including Hong Kong and Taiwan) and overseas. During the year, the remuneration for the employees amounted to approximately HK\$17,574,000. In order to maintain competitiveness, the salary and bonus of the staff are based on their individual performance. Apart from basic salaries, discretionary bonus, contribution to the statutory retirement scheme and a share options scheme for its staff in Hong Kong, Taiwan and PRC, the Group has also provided them with various training and development programs.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 20 June 2003 to 24 June 2003 both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for attending the annual general meeting to be held on 24 June 2003, all transfer documents accompanied by the relevant share certificates must be lodged with Hong Kong branch share registrar and transfer office, Hong Kong Branch Registrars Limited/Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 19 June 2003.

## PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

## 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 Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

## FINANCIAL RESULTS OF THE GROUP PUBLISHED ON THE WEBSITE OF THE STOCK EXCHANGE

The Group will submit the full set of information to accompany the preliminary results announcement as set out in paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules as soon as practicable for the publication on the website of the Stock Exchange of Hong Kong Limited.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the Group's valued customers, dedicated management team, diligent staff as well as the shareholders for their strong support to the Group.

**Wang Chia Chin**  
*Chairman*

Hong Kong, 22 May 2003

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the annual general meeting of Sky Hawk Computer Group Holdings Limited ("Company") will be held at 3 p.m. on Tuesday, 24 June 2003 at Salon II, 1/F, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong to transact the following ordinary businesses:

- to receive and approve the audited consolidated financial statements and the reports of the directors and the auditors of the Company for the year ended 31 December 2002;
- to re-elect Mr. Chen Fang Yu as directors and to authorise the board of directors of the Company to fix the directors' remuneration;
- to re-appoint the Company's auditors and to authorise the board of directors of the Company to fix their remuneration;

and, as special businesses, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

- "THAT:**
  - subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the directors of Sky Hawk Computer Group Holdings Limited ("Company") during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and otherwise deal with the unissued shares (each a "Share") of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which may require the exercise of such powers be and the same is hereby generally and unconditionally approved;
  - the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period (as defined in paragraph (d) below) to make or grant offers, agreements and options which may require the exercise of such powers at any time during or after the expiry of the Relevant Period;
  - the aggregate nominal amount of share capital allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) below); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares shall not exceed the aggregate of:
    - 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and
    - (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the aggregate nominal amount of any share capital of the Company purchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution),and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

- for the purposes of this resolution:

**"Relevant Period"** means the period from the date of the passing of this resolution until whichever is the earliest of:

- the conclusion of the next annual general meeting of the Company;
- the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands or any other applicable law of the Cayman Islands to be held; and
- the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution;

**"Rights Issue"** means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the directors of the Company to holders of Shares on the Company's register of members on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).

- "THAT:**

- subject to paragraph (b) below, the exercise by the directors of Sky Hawk Computer Group Holdings Limited ("Company") during the Relevant Period (as defined in paragraph (c) below) of all powers of the Company to purchase its shares ("Shares") of HK\$0.10 each on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange, the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- the aggregate nominal amount of Shares which may be purchased or agreed to be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period (as defined in paragraph (c) below) shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- for the purposes of this resolution, **"Relevant Period"** means the period from the date of the passing of this resolution until whichever is the earliest of:
  - the conclusion of the next annual general meeting of the Company;
  - the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law,

Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands or any other applicable law of the Cayman Islands to be held; and

- the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution."

- "THAT** conditional on the passing of resolution no. 4 above, the general mandate granted to the directors of the Company pursuant to paragraph (a) of resolution no. 4 above be and it is hereby extended by the addition to the aggregate nominal amount of the shares which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to or in accordance with such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company purchased or agreed to be purchased by the Company pursuant to or in accordance with the authority granted under paragraph (b) of resolution no. 5 above."

By order of the board of directors of  
**Sky Hawk Computer Group Holdings Limited**  
**Wang Chia Chin**  
*Chairman*

Hong Kong, 22 May 2003

*Registered office:*  
Century Yard  
Cricknet Square  
Hutchins Drive  
P.O. Box 2681GT  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

*Head office and principal place of business in Hong Kong:*  
Suite 301, Tower A  
Hung Hom Commercial Centre  
39 Ma Tau Wai Road  
Kowloon, Hong Kong

## Notes:

- A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
- To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Company's Hong Kong Branch Registrars, Hong Kong Registrars Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the time of the meeting or any adjourned meeting.
- In relation to proposed resolutions numbered 4 and 6 above, approval is being sought from the shareholders for the grant to the directors of a general mandate to authorise the allotment and issue of shares of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The directors have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders.
- In relation to proposed resolution no. 5 above, the directors wish to state that they will exercise the powers conferred thereby to purchase shares of the Company in circumstances which they deem appropriate for the benefit of the shareholders. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on the proposed resolution as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be set out in a separate document to be despatched to the shareholders together with the annual report for the year ended 31 December 2002.