

CHAIRMAN'S STATEMENT

Business Results

The Group recorded a turnover of approximately HK\$307 million for the financial year ended 31 March 2002, representing a decrease of around 33% as compared with HK\$460 million last year. Although turnover decreased in line with the falling prices of electronic parts and components, the gross margin was maintained at around 16%.

During the year, profit from operations of the Group was approximately HK\$4.6 million, while profit attributable to shareholders was approximately HK\$4.4 million, representing earnings per share of approximately HK2.3 cents.

The global economic downturn and the continued weakening of the electronic products market inevitably had an adverse impact on the electronic components trading business of the Group. Since demand in overseas markets decreased, the Group's export volume dropped sharply. The turnover of the Group also reduced as a result of the decreasing price of electronic parts. In the light of this, the Group swiftly reacted by progressively developing its "Satellite Development Strategy". The strategy is to seek strategic alliances with small and medium sized enterprises (SMEs) with good potential so as to strengthen the Group's competitive edge, thereby preparing the Group to take advantage of better economic conditions in the near future.

Development Strategy

The Group's market positioning is clear, concentrating on its core business of the procurement and distribution of electronic parts and components, as well as computer accessories.

Last year, the Group categorized its satellite companies under three main service brands: "Mobicon Electronic Components"

for the distribution of electronic parts and components; "IC Master" **IC** 博士 Master Shop for the retail sector; and "A Plus" for one-stop computer service. This is in line with the Group's "Satellite Development Strategy", and helps with further business development.



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Development Strategy *(Continued)*

Since the business scope of the satellite companies is now clearer and more targeted, this move has strengthened their credibility among suppliers and customers. To develop its supplier network, the Group obtained distribution rights for many well-known international brands during the year, such as TSC, MDT and Cheng Home of Taiwan; Kodenshi Auk, SLS and LG Cable of Korea; Thermometric of the USA; AVO of the UK; HT of Italy; and Leica Geosystems of Switzerland. Meanwhile, cross-selling among the satellite companies helped to increase the turnover of various products. These developments contributed to enlarging the Group's target customer base and enabled it to obtain contracts with major corporations.

Under the "Satellite Development Strategy", synergy among the satellite companies has not only expanded the Group's product lines, but also strengthened its bargaining power and enhanced the procurement process. This strategy is expected to result in increased revenue for the Group next year.

Prospects

As the market remains in a period of uncertainty and continual adjustment, the Group will focus on the consolidation of its existing business, strengthen the operational efficiencies of its satellite companies, and position itself for further development once the economy recovers.



Given the enormous potential of the China market following the country's accession to the WTO, the Group also plans to develop this market. This year, the Group has taken a great step towards this by investing approximately HK\$2 million to set up a wholly owned trading company in the free trade zone of Futian, Shenzhen, and has registered its MEC brand in China.

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Prospects *(Continued)*

For its future development in the worldwide market, the Group will continue to pursue distribution rights for more international brands in the Asia Pacific region and Greater China, thus expanding the Group's international coverage. Moreover, the Group will also continue its product development efforts, enhance the variety of MEC products (such as instruments and tools), and export its products all over the world.

Next year will be the Group's 20th anniversary. With the favourable result of the "Satellite Development Strategy", the Group believes that the winter has passed and a brighter future is gradually appearing.

Appreciation

I would like to thank our management team and all our staff for their efforts and significant contribution during the past year. I would also like to take this opportunity to extend my heartfelt appreciation to all our shareholders and institutional investors for their continued support and confidence in the Group.

By order of the Board
Hung Kim Fung, Measure
Chairman and Managing Director

Hong Kong
25 June 2002