

CHAIRMAN'S STATEMENT



Hung Kim Fung, Measure

Chairman

FINANCIAL RESULTS

The Group recorded a turnover of around HK\$1.09 billion during the fiscal year ended 31st March 2006. This represents a decrease of about 15% on the figure of around HK\$1.28 billion for the previous year. Gross profit dropped by approximately 4% to around HK\$156 million, down from last year's figure of about HK\$162 million while the gross profit margin grew by approximately 1.7% to around 14.4%, up from previous year's figure of about 12.7%. The Group's operating profit amounted to around HK\$36 million (31st March 2005: HK\$47 million), while the profit attributable to shareholders was approximately HK\$19 million (31st March 2005: HK\$32 million), representing earnings per share of HK\$0.097 (31st March 2005: HK\$0.162 per share).

During the year under review, the Group continued to develop its two core business lines, namely: (1) the distribution of electronic components, automation parts and equipment under the **MOBICON** service branding (the "Electronic Trading Business"); and (2) computer related business (the "Computer Business") which includes (i) the retail sales of computer products and accessories under the **VideoCom** retail branding (the "Computer Retail Business") and (ii) the provision of IT outsourcing and solution services to small and medium enterprises in Hong Kong (the "IT Outsourcing Services"). The Group's turnover of Electronic Trading Business amounted to about HK\$752 million, dropped approximately by 6% compared with last year figure of about HK\$798 million, while the turnover of Computer Business recorded a decrease of approximately 30% to HK\$337 million from previous year's figure of about HK\$482 million.

Integrating the results of two core business lines, the Group achieved a steady increase in the gross profit margin by 1.7%, which was mainly due to enhancement of its "Small Order Services" in Electronic Trading Business which contributed to the gross profit margin growth of the Group. It successfully unified its product database by increasing the existing 40,000 items on its price list to 70,000. The Group also mass-produced and distributed multicolored product catalogues to its distributor partners. On top of that, the Group was granted exclusive rights to produce and sell wafer chips carrying the brand name of Actions Semiconductor Co Ltd. ("Actions") for radio-controlled cars last year and its striving towards development with a turnover of HK\$11 million leads to an expansion of the Group's market share in the electronic toys field, as well as an increase in the overall gross profit margin.

During the fiscal year, the increase of crude oil and commodity price caused a contraction of the international export market for electronic consumer products and toys. Customers' sensitivity towards business operations thus became more conservative, leading to an unfavorable business environment which resulted in a slight drop in the Group's business sales of electronic trading. The intense competition in the local computer retail industry brought about a change of business operation into small profits mode by the suppliers of LCD monitor and MP3, dropping the market price of computers and accessories tremendously. With an addition of increasing rent in the local market, the turnover of the Group derived from the Computer Retail Business decreased prominently.



CHAIRMAN'S STATEMENT (CONTINUED)

DEVELOPMENT STRATEGY

Through the merge of the 'Small Order Services' business model and the "Satellite Development Strategy", the Group aimed to cope with the trend towards the predominance of consumer products. The "Small Order Services" business model helped to further expand client networks, revenue opportunities and strengthening of the Group's competitiveness because of the abundant varieties of electronic products available and the low demand for large-volume orders for individual products in the Hong Kong market.

With a view to pursue specialization, the five satellite companies, namely Arkia Advance Limited, Conwise Power Limited, MCU Power Limited, DV Power Limited and Milliard Devices Limited continued to develop various professional application solutions including MP3-amplifier solutions, ultra-violet light detector solutions, automobile bluetooth sound system solutions and LED lighting solutions etc., offering a more comprehensive service of a higher quality. It allowed the Group to successfully transform itself into a distributor with knowledge in both product design and development.



The Group established AESI (HK) Limited in November 2005. Through the latest Internet technologies, AESI (HK) Limited provides its clients with real-time system maintenance and technical support. AESI (HK) Limited, together with A Power Limited and Create Tech Software Systems Limited, formed a professional IT management team and enables the Group to master the knowledge and technique in developing computer hardware, software as well as IT maintenance. As a result, the Group becomes the hub of the computer IT servicing industry, providing its clients with a one-stop IT management service.

In order to withstand the market competition in computer retail business, the Group started to reconstruct the organization of retail shops under  the branding in February 2006 by reducing the number of shops at the same point of sales. The Group also developed a regional strategy by opening new retail outlets in Yuen Long and Sheung Shui and categorized them into small-order wholesale and retail division so as to sustain the advantages for the development of  retail branding in the local industry.

OUTLOOK

For the Electronic Trading Business, the Group will continue to launch the "Satellite Development Strategy". Via professional knowledge and the powerful procurement team of the satellites, the Group's clients will be entitled to higher-quality and diversified products and services. Meanwhile, the Group will continue to enhance the connections between Hong Kong headquarters and all overseas branches for better information interchange and to keep up with the international market trend in order to internationalize local services and localize overseas markets.

To give worldwide distributors more convenient and efficient access to professional one-stop procurement services and to qualify the Group's competitiveness in the Asian network, it has set up a sales office in Taiwan in March 2006, increasing the number of sales and procurement points from four to five in Asia. Besides that, the Group will continue to acquire more agent lines for electronic components, automation parts and equipment, and become an authorized distribution hub for various renowned brands based on the trust from suppliers and clients.

Regarding the Computer Business, the Group will keep on implementing cautious operating cost control to maximize the efficiency of the Group's financial resources and strengthen the developing potentials of  retail branding. Looking ahead, the Group will try its best to open markets for highly-qualified digital earphones, computer memory cards and computer peripherals under its own brand, . Through the cooperation with local retailing chain stores, the opportunities for local electronic consumer products business will be fully explored.

APPRECIATION

I would like to thank our management team and all our staff for their efforts and significant contributions to the Group during the past year. In addition, I would like to express my heartfelt gratitude to our various shareholders, institutional investors, customers, bankers and business partners for their continued support for the confidence in the Group.

By order of the Board

Hung Kim Fung, Measure

Chairman

Hong Kong, 12th July 2006