

## INVESTMENT IN NICHE MEDICAL PRODUCTS INDUSTRY

During the period, the founding of a new wholly-owned subsidiary AVC Medical Technology Limited (“AVC Medical”) marked the Group’s diversification into the niche medical products industry. AVC Medical will be engaged in the development, manufacture and distribution of quality patented medical equipments targeting the elderly and those with special needs. These products will be difficult to imitate because of the relevant technology-know-how required during production. AVC Medical’s first strategic move is to cooperate with US-based Fall Prevention Technologies LLC in developing the state-of-the-art balanceback™ equipments for the treatment of balance disorders. AVC Medical will be the exclusive manufacturer and sole distributor of these equipments in Asia. As the niche medical products industry enjoys high entry barriers and increasing global demand against an aging worldwide population, the Group believes the business will generate significantly higher profit margins.

## PROSPECTS

Riding on its proven marketing and distribution business, the Group will continue to grow its market share and maintain its position as a leading semiconductors distributor in Asia distributing Samsung Electronics’ products, thus secure a stable income.

Against the increasingly competitive MP3 product market, and with the aim of improving profitability, the Group will remain committed to consolidating and strengthening its brand and channel management business especially its own brand business operation. Given the remarkable response of the Japan market to the Group’s own brand products, the management believes the business will become one of the Group’s major growth drivers in the years to come. In October 2005, the Group launched the Fall/Winter series of its SIGNEO brand digital audio products in Japan. Employing innovative designs, the latest collection of the SIGNEO series is the fruit of advanced technological inputs of the Group’s engineering team and is expected to further boost SIGNEO’s market share in Japan.

Looking ahead, the Group will continue to identify profitable business opportunities and consolidate current profitable businesses with the aim of enhancing long-term shareholders’ value. Riding on the Group’s established brand name and retail distribution channels in Japan, AV Concept will proactively expand its product portfolio to cover a greater variety of digital multi-media products. The Group believes its development strategy will accelerate its growth and generate satisfactory returns for shareholders.