

Chairman's Statement

Dear shareholders,

Deepening market penetration by third-generation ("3G") mobile communication applications in Asia has revived demand for 3G-enabled handsets in the replacement market. This phenomenon is now spurring top-tier manufacturers with the requisite technology to marginalize copycats and recapture market share previously lost during excessive price undercutting.

Embracing the development of new technologies and their user-friendly applications remain to be key to continued success for all participants in the industry, from handset manufacturers, distributors, and network operators to content providers and advertisers.

Broader availability of 3G and other high-speed digital broadcasting networks, coupled with overlay technologies capable of delivering richer broadband content, have made "snack content" – multi-media programming strips that last three to five minutes – more popular than ever.

The Group believes this is a major medium-term development, on top of other 3G applications, that is helping drive demand in the replacement market. Meanwhile, it also forecasts that real trigger for leapfrog increase in popularity should hinge on service providers' capability to manufacture and tailor content and applications that are of relevance to the widest spectrum of end-users.

In the foreseeable future, domestic handset demand will be largely driven by the heavy subsidies network operators provide to lure subscribers into upgrading to 3G. Sales through other distribution channels, at the same time, will continue to be supported by the tourist market.

In order to follow the market trend, manufacturers are expected to launch more exciting models with stronger functionalities to embrace the change. The Group will continue to work closely with manufacturing partners to exploit strategies that take advantage of this development.

During the year ended 30th September, 2005, the Group recorded a turnover of approximately HK\$1,206 million, representing a decline of approximately HK\$690 million from HK\$1,896 million in the previous year, and incurred a net loss of approximately HK\$124 million. Meanwhile, the Group's overall gross margin widened to approximately 4.0% from 0.5% a year ago.

The Group's continuous effort put in restructuring of its channel management operations has attributed to the slight improvement in the performance this year. Meanwhile, suppliers were also able to churn out products of the right specifications at the right pricing at the right timing. Steady progress achieved in improving our performance over the previous year has also further reaffirmed the validity of all re-engineering measures we put in place. They set the Group on a firm and robust footing to a sustainable turnaround in the foreseeable future.

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Due to persistently intense competition in those markets where the Group operates, it will continue its cautious strategy of procuring and distributing new models and prudently managing its inventory levels. Margins and profitability, as a result, will remain under pressure as the whole mobile telecommunication industry progresses to a more exciting and challenging stage of development.

In an environment of rapidly changing customer preferences and escalating expectations, strategy implementation has become increasingly difficult. Future successes are increasingly hinging on the Group's capability in working seamlessly with the suppliers to launch the right product at the right price at the right timing. Ironically this principle has gradually become a double-edged sword because the Group often needs to reduce its flexibilities in other aspects of competition in order to accommodate suppliers' broader product and marketing strategies.

In order to overcome such difficulty and excel in this area, the Group will not only continue to capitalize on its experience and its excellent relationships with its manufacturing, network and distribution partners, but also exhaust better leverage of its market knowledge to continuously explore a suitable channel management strategy that adds more value to its business platform. The Group believes that its long track record of struggle in a difficult environment has sharpened its edge in responding more swiftly and flexibly than its competitors to changes in customer preferences and the market landscape.

By Order of the Board,

SY Ethan, Timothy

Chairman

Hong Kong, 16th January, 2006