SINCE 1983

MOBICON GROUP LIMITED

萬保剛集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1213)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2007

The Board of Directors (the "Directors") of Mobicon Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March 2007 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st March 2007

	Note	**2007** *HK$'000*	**2006** *HK$'000*
Revenue	*2*	1,006,767	1,088,526
Cost of sales		(859,680)	(932,246)
Gross profit		147,087	156,280
Other income	*3*	749	471
Distribution and selling expenses		(47,438)	(45,765)
General and administrative expenses		(71,235)	(74,779)
Operating profit	*4*	29,163	36,207
Finance costs	*5*	(4,624)	(4,333)
Share of (loss)/profit of an associate		(77)	68
Profit before income tax		24,462	31,942
Income tax expense	*6*	(6,702)	(8,089)
Profit for the year		17,760	23,853
Attributable to:			
Equity holders of the Company		14,802	19,384
Minority interests		2,958	4,469
		17,760	23,853
Earnings per share for profit attributable to the equity holders of the Company during the year – Basic and diluted	*7*	HK7.4 cents	HK9.7 cents
Dividends	*8*	10,000	10,000

* *For identification purposes only*

CONSOLIDATED BALANCE SHEET
As at 31st March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment		9,072	11,028
Intangible assets		2,751	3,325
Investment in an associate		731	632
		12,554	14,985
Current assets			
Inventories		156,288	159,305
Trade receivables	9	94,096	89,432
Other receivables		6,422	7,807
Income tax recoverable		2,170	–
Cash and bank balances		47,945	50,268
		306,921	306,812
Total assets		319,475	321,797
Current liabilities			
Trade payables	10	52,742	65,190
Other payables		20,266	21,529
Short-term bank loans		59,051	53,712
Income tax liabilities		1,182	608
		133,241	141,039
Net current assets		173,680	165,773
Total assets less current liabilities		186,234	180,758
Non-current liabilities			
Deferred income tax liabilities		596	317
Net assets		185,638	180,441
Capital and reserves attributable to the Company's equity holders			
Share capital		20,000	20,000
Reserves		151,890	147,285
		171,890	167,285
Minority interests		13,748	13,156
Total equity		185,638	180,441

NOTES TO THE FINAL RESULTS ANNOUNCEMENT

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include the applicable disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) *Standards, amendments and interpretations effective in 2006 but not relevant to the Group's operations*

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1st January 2006 but are not relevant to the Group's operations:

- HKAS 19 (Amendment), Actuarial Gains and Losses, Group Plans and Disclosures;
- HKAS 21 (Amendment), Net Investment in a Foreign Operation;
- HKAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 (Amendment), The Fair Value Option;
- HKAS 39 and HKFRS 4 (Amendments), Financial Guarantee Contracts;
- HKFRS 6, Exploration for and Evaluation of Mineral Resources;
- HKFRS-Int 4, Determining whether an Arrangement contains a Lease;
- HKFRS-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;
- HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective for annual periods beginning on or after 1st December 2005); and
- HK(IFRIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1st March 2006).

(b) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1st May 2006 or later periods but that the Group has not early adopted:

- HKFRS 7, Financial Instruments: Disclosures and HKAS 1 (Amendment), Presentation of Financial Statements – Capital Disclosures (effective for annual periods beginning on or after 1st January 2007). HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to HKAS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply HKFRS 7 and the amendment to HKAS 1 from 1st April 2007;

- HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1st May 2006). HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1st April 2007, but it is not expected to have a significant impact on the Group's consolidated financial statements;

- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1st November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1st April 2007, but it is not expected to have a significant impact on the Group's consolidated financial statements; and

- HK(IFRIC)-Int 11, HKFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1st March 2007). HK(IFRIC)-Int 11 provides guidance on classifying share-based payment transactions involving an entity's own equity instruments or the equity instruments of the parent. The Group will apply HK(IFRIC)-Int 11 from 1st April 2007, but it is not expected to have a significant impact on the Group's consolidated financial statements.

(c) *Interpretations to existing standards that are not yet effective and not relevant to the Group's operations*

The following interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1st May 2006 or later periods but are not relevant to the Group's operations:

- HK(IFRIC)-Int 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1st June 2006). HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the group entities have embedded derivatives, HK(IFRIC)-Int 9 is not relevant to the Group's operations; and

- HK(IFRIC)-Int 12, Service Concession Arrangements (effective for annual periods beginning on or after 1st January 2008). HK(IFRIC)-Int 12 sets out general principles on recognizing and measuring the obligations and related rights in service concession arrangements, which involve private sector participation in the development, financing, operation and maintenance of governmental infrastructure. Since the Group is not involved in such arrangements, HK(IFRIC)-Int 12 is not relevant to the Group's operations.

2. Revenue and segment information

The Group is principally engaged in the trading and distribution of electronic parts, components and equipment and computer products and accessories. Revenue recognized during the year is as follows:

	2007 *HK$'000*	**2006** *HK$'000*
Revenue		
Sales of electronic parts, components and equipment	715,344	751,597
Sales of computer products and accessories	287,738	336,929
Maintenance service income	3,685	–
	1,006,767	1,088,526

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(a) *Primary reporting format - business segments*

At 31st March 2007, the Group is organized into two main business segments:

Electronic products – Trading and distribution of electronic parts, components and equipment

Computer products – Trading and distribution of computer products and accessories and providing computer related maintenance services.

2007	**Electronic products** *HK$'000*	**Computer products** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Revenue	715,344	291,423	–	1,006,767
Segment results	31,880	(3,306)	589	29,163
Finance costs				(4,624)
Share of loss of an associate				(77)
Profit before income tax				24,462
Income tax expense				(6,702)
Profit for the year				17,760

2006	**Electronic products** *HK$'000*	**Computer products** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Revenue	751,597	336,929	–	1,088,526
Segment results	48,856	(12,991)	342	36,207
Finance costs				(4,333)
Share of profit of an associate				68
Profit before income tax				31,942
Income tax expense				(8,089)
Profit for the year				23,853

(b) *Secondary reporting format - geographical segments*

The Group mainly operates in Hong Kong, Asia Pacific, South Africa and Europe.

	2007 HK$'000	2006 HK$'000
Revenue		
Hong Kong	768,795	938,547
Asia Pacific	163,854	83,341
South Africa	38,589	38,150
Europe	22,555	22,210
Other countries	12,974	6,278
	1,006,767	1,088,526

Revenue is allocated based on the country in which the customer is located.

3. Other Income

	2007 HK$'000	2006 HK$'000
Management fee from an associate	130	120
Service fee from an associate	8	–
Commission income	22	9
Interest income from bank deposits	491	250
Interest income from an associate	98	92
	749	471

4. Expenses by Nature

	2007 HK$'000	2006 HK$'000
Cost of inventories expensed	859,680	932,246
Employee benefit expense	65,219	63,720
Amortization of intangible assets (included in general and administrative expenses)	1,209	1,209
Depreciation of owned property, plant and equipment	4,205	3,516
Impairment of goodwill	–	97
Provision for impairment of trade receivables (included in general and administrative expenses)	426	1,439
Provision for slow-moving inventories (included in cost of sales)	2,050	270
Operating lease rentals in respect of rented premises	14,752	16,650
Auditors' remuneration	600	600
Gain on disposal of property, plant and equipment	(136)	(266)
Gain on disposal of subsidiaries	(1)	–
Net foreign exchange gains	(2,922)	(1,444)

5. Finance Costs

	2007 HK$'000	2006 HK$'000
Interest expense on short-term bank loans, wholly repayable within five years	4,624	4,333

6. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2007 HK$'000	2006 HK$'000
Current income tax		
– Hong Kong profits tax	5,085	6,966
– Overseas taxation	1,575	1,301
– Over-provision in prior years	(214)	(329)
Deferred income tax	256	151
Income tax expense	6,702	8,089

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2007 HK$'000	2006 HK$'000
Profit before income tax	24,462	31,942
Tax calculated at Hong Kong profits tax rate of 17.5% (2006: 17.5%)	4,281	5,590
Effect of different tax rates of subsidiaries operating in other countries	500	606
Tax losses of subsidiaries not recognized	1,839	2,089
Utilization of previously unrecognized tax losses	(132)	(123)
Over-provision in prior years	(214)	(330)
Others	428	257
Income tax expense	6,702	8,089

The Company is exempted from taxation in Bermuda until 2016.

Mobicon Electronic Trading (Shenzhen) Limited ("MET"), being a foreign investment enterprise established in the free trade zone of Futian, Shenzhen, the People's Republic of China (the "PRC"), and with a financial year end date falling on 31st December, is subject to PRC enterprise income tax at the rate of 15%. No provision for PRC enterprise income tax has been made as MET is entitled to exemption from PRC enterprise income tax for the first two profitable years commencing from the year ended 31st December 2006 and a 50% reduction from normal PRC enterprise income tax (effectively 7.5%) for the three years following.

7. Earnings Per Share

The calculation of basic earnings per share for the year ended 31st March 2007 is based on the Group's profit attributable to equity holders of the Company of approximately HK$14,802,000 (2006: HK$19,384,000) and on the weighted average number of 200,000,000 (2006: 200,000,000) ordinary shares in issue during the year.

No diluted earnings per share is presented as there were no potential dilutive ordinary shares in issue during the years ended 31st March 2007 and 2006.

8. Dividends

	2007 HK$'000	2006 HK$'000
Interim dividend paid of HK2.5 cents (2006: HK2.5 cents) per ordinary share	5,000	5,000
Proposed final dividend of HK2.5 cents (2006: HK2.5 cents) per ordinary share	5,000	5,000
	10,000	10,000

At a meeting held on 12th July 2006, the directors of the Company proposed a final dividend of HK2.5 cents per ordinary share in respect of the year ended 31st March 2006.

At a meeting held on 18th July 2007, the directors of the Company proposed a final dividend of HK2.5 cents per ordinary share in respect of the year ended 31st March 2007. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st March 2008.

9. Trade Receivables

The Group normally grants to its customers credit periods for sales of goods ranging from 7 to 90 days. The aging analysis of the trade receivables is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
0 to 60 days	84,180	81,193
61 to 120 days	6,662	5,693
121 to 180 days	2,330	2,209
181 to 365 days	2,144	1,254
Trade receivables	95,316	90,349
Less: Provision for impairment of trade receivables	(1,220)	(917)
	94,096	89,432

The directors consider that the carrying amounts of the Group's trade receivables approximate their fair values.

10. Trade Payables

The aging analysis of trade payables is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
0 to 60 days	50,898	62,677
61 to 120 days	1,190	1,309
121 to 180 days	191	288
181 to 365 days	463	916
	52,742	65,190

FINANCIAL RESULTS

The Group recorded a turnover of around HK$1.01 billion during the fiscal year ended 31st March 2007. This represents a decrease of about 7.5% compared to the figure of around HK$1.09 billion in the previous year. Gross profit dropped by approximately 5.9% to around HK$147 million, compared to last year's figure of about HK$156 million while the gross profit margin slightly grew by approximately 0.2% to around 14.6%, compared to previous year's figure of about 14.4%. The Group's operating profit amounted to approximately HK$29 million (31st March 2006: HK$36 million), while the profit attributable to shareholders was approximately HK$15 million (31st March 2006: HK$19 million), representing earnings per share of HK$0.074 (31st March 2006: HK$0.097 per share). The Board has resolved to declare a final dividend of HK$2.5 cents per ordinary share for the year under review, totaling HK$5 million.

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 "Electronics 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"), (ii) the distribution on computer products under the (the "Computer Distribution Business") and (iii) 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 Electronics Trading Business amounted to about HK$715 million, dropping approximately by 5% compared with last year figure of about HK$752 million, while turnover of Computer Business recorded a decrease of 13% to HK$292 million from previous year's figure of about HK$337 million.

During the year under review, the Group's total operating expenses for the year slightly decreased by 2% to around HK$119 million (31st March 2006: HK$121 million). Financial costs for the year maintained at the level of approximately HK$4.6 million (31st March 2006: HK$4.3 million).

BUSINESS REVIEW

During the year under review, the Group's continued to focus on its two core business operations , namely: (1) the distribution of electronic components, automation parts and equipment under the MOBICON serving 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"), (ii) the distribution on computer products under the (the "Computer Distribution Business") and (iii) the provision of IT outsourcing and solution services to small and medium enterprises in Hong Kong (the "IT Outsourcing Services"). The Electrical Trading Business and the Computer Business accounted for 71% and 29% of the Group's total turnover for the Year respectively. According to the analysis on the two core business operations, the gross profit margin of the Electronic Trading Business was approximately 17.1% (31st March 2006: about 17.7%) while that of the Computer Business stood at around 8.5% (31st March 2006: about 6.8%).

Electronic Trading Business

Hong Kong

The turnover of the Group's Electronic Trading Business during the year slightly decreased by 5% to approximately HK$715 million, compared to approximately HK$752 million in the last year.

During the year under review, the Group has been remarkably affected by the implementation of RoHS (Restriction of the Use of Certain Hazardous Substances) in Electrical and Electronic Equipment launched by European Union. Starting from the end of 2005, RoHS regulation has been carried out. The Group effectively purchased components with RoHS certificates to comply with the RoHS restriction on particular hazardous electrical and electronic equipments. Most of the manufacturers from PRC and Hong Kong have been comprehensively and promptly incorporating the RoHS condition into their operation. However, the practice of RoHS still unavoidably attacked the Group's export markets leading to the poor sale performances and the stocks accumulation. During the year under review, the Group has adopted the price reduction to clear the inventories.

Meanwhile, the Group entered into agentship contracts with a number of brand-name vendors during the year under review including Taiwan Agent System General Corporation (a provider of power supply solution), APEC (a provider of power supply solution) as well as E2V (a provider of RF solution).

Overseas
The business of the Group's overseas subsidiaries during the year under review has achieved steady growth and the turnover raised 34% to approximately HK$111 million, compared to approximately HK$83 million in the last year. The increase was mainly attributable to the established business operation of subsidies in Singapore and South Africa. Singapore unit has entered into the agentship contract with Agilent Technologies in the December of 2006. The Group's turnover in Hong Kong, the Asia-Pacific region (other than Hong Kong), South Africa, Europe and other regions, respectively accounted for 76%, 17%, 4%, 2% and 1% of the Group's total turnover during the year under review.

Computer Business
Computer Retail Business
The computer retail business, mainly the VideoCom operation, recorded a loss of around HK$4.2 million during the year under review as a result of the keen market competition. The Group kept on implementing cautious operating cost control and emphasized on the restructuring of all outlets under the VideoCom retail branding during the year under review. The group aimed at minimizing the number of retail shops and shifting to spend efforts on developing the Online and website platform including a series of strategic online promotion actions to maintain the Group's computer retail business competitive edge.

Computer Distribution Business
During the year under review, A Power Limited, one of the subsidiaries of the Company demonstrated a satisfactory performance with an increase in turnover of 46% from HK$101 million in the last year to HK$147 million. A Power Limited actively promoted highly-qualifies digital earphones, computer memory cards and computer peripherals under its own Jt branding. During the year under review, A Power Limited became the wholesaler of trendy game players and related accessories successfully developing the market on game industry.

IT Outsourcing Services
AESI (HK) Ltd and Create Tech Software Systems Ltd, a subsidiary and an associated company within the Group respectively, provided the professional IT maintenance and solution to small and medium size enterprises. AESI (HK) Ltd has demonstrated an obvious improvement in the performance during the year under review as a result of the rising demand on one-stop IT maintenance system on the SME market. Create Tech Software Systems Ltd offers and cultivates the most effective, user-friendly and reliable business management systems to facilitate the development of all industries and sectors in the community. Its product, Mega - Retails is designed to keep track on the stocks status to enable corporations to strengthen the control on operation cost and the supply chain management.

DEVELOPMENT STRATEGY AND OUTLOOK
Because of the rapidly changing business environment and keen competition in the market, brand management becomes crucial for a corporation. The Group believes effective brand management can differentiate its products among competitors and build up the customers' preference for and loyalty the brand; and therefore, it can raise the market share. The Group's brands include electronic components MOBICON and electronic consumer products Jt. The Group will continuously develop various promotion strategies to raise the brand acceptance in the market and ultimately to reach the targeted market share.

For the strategy of Hong Kong product distribution development, the Group will focus on acquiring brand-named agentship contracts on electronic components, automation parts and equipments respectively. The Group aims to become as the market leader of electronic relevant agentship and distribution by taking the advantage of the mutual – trust relationship among the business partners. For the overseas aspect, the Group now has 5 overseas operation units in total including the operation in Taiwan branch in 2006. The Group will strive to develop Singapore unit as the central administration of the ASEAN units aiming to strengthen Singapore and Taiwan brand agentship operation and successfully build up the ASEAN electronic components distribution business.

In order to protect the Computer Business from the threats of fierce market competition and strengthen the profit making ability, the Group will restructure the operation of VideoCom. The Group's strategy is to reduce the high rental retail branches and shift to spend efforts on developing the website platform including a series of strategic online promotion actions so as to increase the recognition of VideoCom via the e-channels. The Group believes this strategy can maintain the competitive edge for VideoCom future development.

A Power Limited, one of the subsidiaries of the Company, has successfully acquired the Hong Kong & Macau exclusive agentship for German Brand Camelion Battery in May, 2007 and Kingsoft Internet Security 2007 in June, 2007. With the support of powerful and experienced sales and marketing team together with sufficient business networks, A Power Limited will continuously pay efforts on strengthening its computer retailing distribution channels and developing agentship business.

LIQUIDITY AND FINANCIAL RESOURCES
The Group has a strong financial foundation. As at 31st March 2007, it had cash and bank balances of approximately HK$48 million (as at 31st March 2006: HK$50 million). About 64% and 16% were denominated in Hong Kong dollars and US dollars respectively. The balance of approximately 8%, 5%, 3%, 2% and 2% of its total cash and back balances were correspondingly denominated in South African Rand, Malaysia Ringgit, Chinese Renminbi, New Taiwan dollars and Singapore dollars. The Group's total assets amounted to approximately HK$319 million (as at 31st March 2006: HK$322 million). Net assets per share amounted to approximately HK$0.93 (as at 31st March 2006: HK$0.90). Dividend earnings and basic earnings per share were approximately HK$0.050 and HK$0.074 respectively (as at 31st March 2006: HK$0.050 and HK$0.097 respectively).

As at 31st March 2007, the Group had banking facilities for overdrafts, loans and trade finance from several banks totaling approximately HK$272 million (as at 31st March 2006: HK$228 million), with an unused balance of approximately HK$213 million (as at 31st March 2006: HK$174 million).

The Directors believe the Group's existing financial resources are sufficient to fulfill its commitments and working capital requirements.

CAPITAL STRUCTURE
As at 31st March 2007, the total borrowings of the Group were approximately HK$59 million (as at 31st March 2006: HK$54 million). These were in the form of short-term bank loans (including short-term loans and trade finance) for financing the daily business operations and future development plans. The Group's bank borrowings as at 31st March 2007 were denominated in Hong Kong dollars. The short-term loans and trade finance were secured by the Company's corporate guarantees of around HK$279 million (as at 31st March 2006: HK$234 million), with a maturity term of two to three months, and such short-term loans can be rolled over afterwards at the Group's discretion. During the year under review, the Group's borrowings bore interest at rates ranging from 4.6% to 6.7% per annum (as at 31st March 2006: 3.2% to 6.1% per annum).

GEARING RATIO
As at 31st March 2007, the Group's gross borrowing, which was repayable within one year, amounted to approximately HK$59 million (as at 31st March 2006: HK$54 million). After deduction of cash and cash equivalents of approximately HK$48 million, the Group's net borrowings amounted to approximately HK$11 million (as at 31st March 2006: HK$4 million). Total equity at 31st March 2007 was approximately HK$186 million (as at 31st March 2006: HK$180 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, increased to 6% (as at 31st March 2006: 1.9%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the Group's transactions were denominated in Hong Kong dollars, RMB and US dollars. Given that the exchange rate of Hong Kong dollars against the RMB has been and is likely to remain stable, and the HKSAR Government's policy of linking the Hong Kong dollars to the US dollars remains in effect, the directors consider that the Group's risk on foreign exchange will remain minimal and no hedging or other alternative measures have been undertaken by the Group. As at 31st March 2007, the Group had no significant risk exposure pertaining to foreign exchange contracts, interest rates, currency swaps, or other financial derivatives.

CHARGES ON ASSETS

The Group did not have any charge on its assets as at 31st March 2007.

COMMITMENTS AND CONTINGENT LIABILITIES

During the year under review, one successive forward contract entered into last year was still in force, whereby the Group has committed to buy US dollars in each specified monthly settlement date from 15th March 2006 to 15th February 2007. Pursuant to the contract, the Group is committed to buy US$500,000 in the event that the spot USD-HKS rate at expiration date is greater than or equal to the contact forward rate (i.e. US$1.00=HK$7.75). Otherwise, the Group is committed to buy US$1,000,000 in the event that the spot USD-HKD rate at expiration date is less than the contract forward rate.

As at 31st March 2007, the Group had total outstanding operating lease commitments of approximately HK$14 million (as at 31st March 2006: HK$29 million). In view of the Group's high level of liquid funds, it is expected that the Group will be able to fulfill all these commitments without any difficulty.

The Group had no contingent liabilities as at 31st March 2007.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 31st March 2007, the Group had a total of 468 full-time employees. The Group has also developed its human resources policies and procedures based on performance, merits and market conditions. Discretionary bonus is linked to the performance of the Group as well as individual performances. The Benefits provided by the Group to its employees include staff accommodation, medical schemes, share option scheme, Mandatory Provident Fund Scheme for employees in Hong Kong, Employee Provident Fund Scheme for employees in Malaysia, Central Provident Fund Scheme for employees in Singapore, and state-sponsored retirement plans for employees in the PRC.

To support the trend of life long learning, the Group encourages the staff members to take value-added courses in spare time. In order to give the staff members the most updated marketing trend and industrial information, the Group arranged tours, seminars, workshops, forums and lunch talks organized by The Hong Kong Electronic Industries Association and The Federation of Hong Kong Industries for the staff and encouraged staff's participation. Product training held by oversea suppliers in Malaysia, Singapore, Beijing and etc are also available to the staffs members to enhance their product knowledge and broaden their horizon.

The Group's business network reaches globally and the management teams of the Group believe interactions between the staff members always have mutual benefits. The Group has organized S3 International Conference annually since last year. The conference aims at generating new idea for the Group's development. Managements and front line staffs from every branch shared opinions, strategic planning, and policies implementation during the conference.

The Group values its staff members as important assets. To recognize their contributions and to boost their morale, the Group awards certificates to staff members in each department who perform outstandingly every quarter. It also presents rewards of the best attendance, the cleanest working environment and the greatest breakthrough in sales performance according to staff's attendance record, the sanitation of different departments and the results of recorded in turnover of all satellites respectively. A number of activities and functions including monthly birthday parties and festival celebrations are regularly held to strengthen the bonds between staff members and enhance their sense of belonging to the Group.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 14th August 2007 to 17th August 2007, during which no transfer of shares will be effected, and the final dividend will be paid on 23rd August 2007. In order to qualify for the final dividend, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Hong Kong Registrars Limited at its office situated at Shops 1712-1726, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 13th August 2007.

DEALING IN COMPANY'S LISTED SECURITIES

During the year under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors is committed to principles of corporate governance practices and procedures. The corporate governance principles of the Company emphasize transparency, accountability and independence.

The Company has complied with the Code Provisions as set out in the Code of Corporate Governance Practices ("CGP") in Appendix 14 to the Listing Rules during the year under review except for the following deviations:

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company did not have a separate Chairman and Chief Executive Officer as Dr. Hung Kim Fung, Measure held both positions during the year under review. The Board believed that vesting the roles of Chairman and Chief Executive Officer in the same individual provided the Group with strong and consistent leadership in the development and execution of long-term business strategies.

According to Bye-law 115, any director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next annual general meeting of the Company and shall retire and be subject to re-election. These deviate from the Code Provision A.4.2 of CGP which requires all directors appointed to fill casual vacancy be subject to election by shareholders at the first general meeting after their appointment. Having reviewed Bye-law 115, the Board considers that the requirement under Bye-law 115 is similar to the that required under the said Code Provision. Code Provision A.4.2 also provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Though the Chairman will not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire, as continuation is a key factor to the successful implementation of any long term business plan, the Board believes that present arrangement is most beneficial to the Company and the shareholders as a whole.

The independent non-executive directors of the Company ("INEDs") are not appointed for specific terms but are subject to retirement by rotation under Bye-law 111 of the Company's Bye-laws.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the annual results for the year ended 31st March 2007 with the directors. The Audit Committee comprises three independent non-executive directors, namely Mr. Charles E. Chapman, Dr. Leung Wai Cheung and Mr. Chow Shek Fai.

PUBLICATION OF FURTHER INFORMATION

This announcement will be published on the website of the Stock Exchange. The annual report and the notice of annual general meeting will be dispatched to shareholders and published on the website of the Stock Exchange in July 2007.

MEMBERS OF THE BOARD

As at the date of this announcement, the Board comprises Dr. Hung Kim Fung, Measure, Madam Yeung Man Yi, Beryl, Mr. Hung Ying Fung and Mr. Yeung Kwok Leung, Allix as executive directors and Mr. Charles E. Chapman, Dr. Leung Wai Cheung and Mr. Chow Shek Fai as independent non-executive directors.

APPRECIATION

I would like to thank our management team and all our staff members 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 to and confidence in the Group.

By order of the Board
Hung Kim Fung, Measure
Chairman

Hong Kong, 18th July 2007

"Please also refer to the published version of this announcement in The Standard."