MOBICON GROUP LIMITED
萬保剛集團有限公司*

(incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2002

The Board of 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 31 March 2002 as follows:

	Note	2002 *HK$'000*	2001 *HK$'000*
Turnover	3	307,233	460,926
Cost of sales		(259,237)	(388,830)
Gross profit		47,996	72,096
Management fee	3	69	–
Distribution and selling expenses		(1,442)	(1,683)
General and administrative expenses		(42,053)	(28,139)
Profit from operations		4,570	42,274
Share of loss of an associate		(11)	–
Interest income	3	1,025	823
Profit before taxation	4	5,584	43,097
Taxation	5	(1,538)	(6,101)
Profit after taxation but before minority interests		4,046	36,996
Minority interests		357	(1,625)
Profit attributable to shareholders		4,403	35,371
Retained profit, beginning of year		66,296	144,442
Dividends	6	(5,000)	(113,517)
Retained profit, end of year	7	65,699	66,296
Earnings per share – Basic	8	2.3 cents	23.6 cents

Notes:

1. GROUP REORGANISATION, OPERATIONS AND BASIS OF PRESENTATION

The Company was incorporated in Bermuda on 11 January 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company is an investment holding company. Its subsidiaries are principally engaged in trading of electronic components and computer products and accessories. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") since 7 May 2001.

Pursuant to a group reorganisation scheme in preparation for the listing of the Company's shares on the Stock Exchange ("the Reorganisation"), the Company became the holding company of the companies comprising the group (collectively referred to as "the Group") on 18 April 2001. The group reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the group throughout the year ended 31 March 2002, rather than from the date on which the Reorganisation was completed. The comparative figures as at and for the year ended 31 March 2001 are presented on the same basis.

2. ADOPTION OF NEW/REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

Effective 1 April 2001, the Group has adopted, for the first time, the following SSAPs issued by the Hong Kong Society of Accountants:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The Group has disclosed segment information in Note 9 to the financial statements so as to comply with SSAP 26. Except for disclosing segment information, the adoption of the aforementioned new/revised SSAPs had no material effect on amounts reported in the prior year.

In addition to the adoption of the above standards, the Group has adopted the consequential changes made to SSAP 10 "Accounting for investments in associates", SSAP 17 "Property, plant and equipment", SSAP 18 "Revenue" and SSAP 21 "Accounting for interests in joint ventures". The directors consider that the consequential changes made to the above SSAPs do not have a material impact on the financial statements of the Group.

3. TURNOVER AND REVENUE

Turnover and revenue in the consolidated income statement consisted of:

	2002	**2001**
	HK$'000	*HK$'000*
Turnover – Sales of merchandise	307,233	460,926
Management fee	69	–
Interest income from bank deposits	1,025	823
Total revenue	308,327	461,749

4. PROFIT BEFORE TAXATION

Profit before taxation in the consolidated income statement was determined after charging the following:

	2002	2001
	HK$'000	*HK$'000*
Staff costs (including directors' emoluments)	24,978	19,066
Depreciation of fixed assets	776	1,109

5. TAXATION

Taxation in the consolidated income statement consists of:

	2002	2001
	HK$'000	*HK$'000*
Company and subsidiaries:		
Current taxation –		
Hong Kong profits tax	1,073	7,040
Under (Over) provision in prior years	286	(718)
Mainland China enterprise income tax	71	–
Deferred taxation	108	(221)
	1,538	6,101

a. Bermuda income tax

The Company is exempted from taxation in Bermuda until 2016.

b. Hong Kong profits tax

Hong Kong profits tax was provided at the rate of 16% (2001 – 16%) on the estimated assessable profit arising in or derived from Hong Kong.

c. Mainland China enterprise income tax

The Group has established a representative office in Mainland China which is subject to Mainland China enterprise income tax at a rate of 15% on the deemed net profit based on total expenses incurred by the representative office.

d. Others

No overseas taxation was provided as the subsidiaries operating overseas had no taxable income during the year.

6. DIVIDENDS

	2002	2001
	HK$'000	*HK$'000*
Dividends declared before year end		
– Interim dividend – 2.5 cents (2001 – Nil) per ordinary share	5,000	–
– Special dividend	–	113,517
	5,000	113,517

7. RETAINED PROFIT

	2002 *HK$'000*	2001 *HK$'000*
Company and subsidiaries	65,710	66,296
Associate	(11)	–
	65,699	66,296

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 March 2002 is based on the consolidated profit attributable to shareholders of approximately $4,403,000 (2001 – $35,371,000) and on the weighted average number of approximately 195,479,000 shares (2001 – 150,000,000 shares) deemed to have been issued throughout the year, on the basis of presentation relating to the Reorganisation as described in Note 1.

No diluted earnings per share is presented as there were no potential dilative ordinary shares in issue during the years ended 31 March 2001 and 2002.

9. SEGMENT INFORMATION

The Group is principally engaged in trading of electronic components and computer products and accessories to customers in different geographical areas. Accordingly, the Directors have determined there is only one business segment and the geographical segments are its primary reporting format.

An analysis of geographical segment is as follows:

	2002					
	Hong Kong *HK$'000*	Asia Pacific *HK$'000*	Europe *HK$'000*	America *HK$'000*	Others *HK$'000*	Total *HK$'000*
Turnover*						
External sales	253,327	21,718	12,203	5,818	14,167	307,233
Operating results						
Profit from operations	3,747	320	183	91	229	4,570
Share of loss of an associate						(11)
Interest income						1,025
Taxation						(1,538)
Profit before minority interests						4,046
Other information**						
Segment assets	123,900	8,974	–	–	6,650	139,524
Segment liabilities	20,065	8,720	–	–	6,714	35,499
Capital expenditures	1,169	902	–	–	866	2,937
Depreciation	604	102	–	–	70	776

	2001					
	Hong Kong	**Asia Pacific**	**Europe**	**America**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover*						
External sales	337,283	38,223	49,280	22,615	13,525	460,926
Operating results						
Profit from operations	30,860	3,382	4,650	2,114	1,268	42,274
Interest income						823
Taxation						(6,101)
Profit before minority interests						36,996
Other information**						
Segment assets	134,657	–	–	–	–	134,657
Segment liabilities	66,596	–	–	–	–	66,596
Capital expenditures	1,094	–	–	–	–	1,094
Depreciation	1,109	–	–	–	–	1,109

* *Turnover by geographical location is determined on the basis of the destination of delivery of merchandise to customers.*

** *Other information by geographical location is determined on the basis of the geographical location of the assets.*

10. SHARE CAPITAL

Movements of share capital were:

	Number of shares	**Nominal value**
	'000	*$'000*
Authorised (ordinary shares of $0.10 each)		
Upon incorporation of the Company (a)	1,000	100
Increase in authorised share capital (b)	1,999,000	199,900
As at 31 March 2002	2,000,000	200,000
Issued and fully paid (ordinary shares of $0.10 each)		
Issue of shares (a)	1,000	–
Issue of shares pursuant to the Reorganisation (c)	1,000	200
Issue of shares through public offering and placing (d)	50,000	5,000
Capitalisation of share premium (e)	148,000	14,800
As at 31 March 2002	200,000	20,000

a. On 11 January 2001, the Company was incorporated with an authorised share capital of $100,000, divided into 1,000,000 shares of $0.10 each. All of these shares were issued and credited as nil paid.

b. On 18 April 2001, the Company's authorised share capital was increased from $100,000 to $200,000,000, by the creation of additional 1,999,000,000 shares ranking pari passu with the then existing shares in all respects.

c. On 18 April 2001, the Company issued 1,000,000 shares which, together with the 1,000,000 shares issued upon incorporation, were credited as fully paid as consideration for the acquisition of the entire issued share capital of Mobicon (BVI) Limited, the intermediate holding company.

d. On 3 May 2001, 50,000,000 shares were issued at $1 per share through a public offering and placing ("the New Issue"), resulting in cash proceeds of HK$50,000,000.

e. Immediately after the New Issue, share premium of approximately $14,800,000 was capitalised by the issuance of 148,000,000 shares of $0.10 each on a pro-rata basis to the Company's shareholders before the New Issue.

The share capital (consolidated) as at 31 March 2001 represents the aggregate amount of the nominal value of the share capital of the companies comprising the Group as at that date.

11. RESERVES

Movements of reserves were:

	Share premium *$'000*	**Capital reserve** *$'000*	**Total** *$'000*
As at 31 March 2001	–	–	–
Premium on issue of ordinary shares *(Note 10.d)*	45,000	–	45,000
Share issuance expenses	(13,494)	–	(13,494)
Capitalisation of share premium *(Note 10.e)*	(14,800)	–	(14,800)
Effect of the Reorganisation	–	800	800
As at 31 March 2002	16,706	800	17,506

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" 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.

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.

BUSINESS REVIEW

Distribution of electronic parts and components

Currently there are four satellite companies under the umbrella brand of "Mobicon Electronic Components", targeting various electronic parts and components markets. They are DV Power Limited, which offers electronic parts related to power sources; MCU Power Limited, which offers Micro Control Unit (MCU) solutions targeted at intelligent electrical appliances and toys; Milliard Devices Limited, which markets the passive components of electronic consumer products; and Arkia Advance Limited, which supplies ICs for telecommunications equipment.

Through all these satellite companies, "Mobicon Electronic Components" has gathered professional knowledge of a number of industries, thus enabling the Group to acquire more clients in different market segments.

Retailing of electronic parts and components

Within the year, "IC Master" expanded beyond Hong Kong, and has set up distribution points in Singapore, Malaysia and South Africa. The Group entered into strategic alliances with established local electronic suppliers to realize its aim of providing full trading services to consumers on a localized basis.

Furthermore, since its product catalogues have proved popular in the market, "IC Master" introduced another catalogue last year called Industrial Automation Product Guide, giving detailed information and specifications on relevant industrial products.

One-stop computer service

There are five satellite companies under "A Plus", targeting various customer needs and offering customers one-stop computer services: A Power Limited offers UPS and rack mounting solutions for computer rooms; Create Tech Software Systems Limited is engaged in software design for ERP solutions; Future-Tech Computer Limited targets the DIY retail market; PC Master Limited is a trendy and focused computer shop, while A Plus 2 Computer Limited offers computer peripherals and network service maintenance.

Overall, the Group is confident in the prospects of the satellite companies. With support and guidance from the Group, the satellite companies are expected to leverage on their synergy with the Group, thus generating more profits for the Group in future.

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.

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.

FINANCIAL POSITION

The financial foundation of the Group is strong with ample cash flow. As at 31 March 2002, the Group held a total of approximately HK$27 million in cash and bank balances with a zero gearing ratio. Net asset value per share was approximately HK$0.52 and general and administration expenses during the year amounted to approximately HK$42 million.

CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2002 (2001: Nil).

EMPLOYEES

Recognizing the importance of developing its human resources, the Group arranged for its staff members to attend an ISO 9001:2000 training course last year, and the Group has just been awarded ISO 9001 certification by the Hong Kong Quality Assurance Agency (HKQAA) on 30 May 2002 (Certificate number: CC2247). This award is not only a recognition of the Group's service quality, but will also motivate the staff to offer even better products and services in future, to our customers' greater satisfaction. As at 31 March 2002, the Group had approximately 208 full time employees whose remuneration are based on individual merits and years of experience.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2002.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review the Company's annual report and accounts and half-year reports and to provide advice and comments thereon to the Board of Directors. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee comprises two independent non-executive directors, namely Mr. Charles E. Chapman and Mr. Leung Wai Cheung.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange since the Listing Date, except that the non-executive directors are not appointed for specific terms. However, the non-executive directors are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Bye-laws.

PUBLICATION OF DETAILED ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information of the annual results of the Group for the year ended 31 March 2002 required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the Stock Exchange's website before 31 July 2002.

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the abovenamed company (the "Company") will be held at Yau Yat Chuen Garden City Club, 7 Cassia Road, Yau Yat Chuen, Kowloon, on Thursday, 8 August 2002 at 11:30 a.m. for the following purposes:–

1. To receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 31 March 2002.

2. To re-elect directors and to authorise the board of directors to fix their remuneration.

3. To consider and, if thought fit, pass the following proposed Ordinary Resolution with respect to the appointment of Auditors, of which SPECIAL NOTICE had been given pursuant to section 89(3) of the Companies Act 1981 of Bermuda, and bye-law 181 of the Bye-laws of the Company of the intention to propose the following resolution as an Ordinary Resolution:

   "**THAT** Messrs. PricewaterhouseCoopers, be and they are hereby appointed as Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting at a fee to be determined by the Directors."

4. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:–

   A. "**THAT**:–

      (a) subject to paragraph (c), the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

      (b) the approval in paragraph (a) shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period (as hereinafter defined);

      (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue (as hereinafter defined) or scrip dividend scheme of the Company or the exercise of the subscription rights under the share option scheme of the Company shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:–

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:–

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

(iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to the holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

B. "**THAT**:–

(a) the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period (as hereinafter defined) shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this resolution:–

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:–

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

(iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

C. “**THAT** conditional upon resolution no. 4B above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors of the Company as mentioned in resolution no. 4B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution no. 4A above.”

By order of the Board
Yeung Kin Kwan, Alvan
Company Secretary

Hong Kong, 25 June 2002

Principal Office:
7th Floor
New Trend Centre
704 Prince Edward Road East
San Po Kong
Kowloon
Hong Kong

Notes:–

(1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company.

(2) In order to be valid, the form of proxy must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

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