SINCE 1983

MOBICON GROUP LIMITED

萬保剛集團有限公司

(incorporated in Bermuda with limited liability)

INTERIM RESULTS

INTERIM RESULTS

The Board of Directors (the "Directors") of Mobicon Group Limited (the "Company") are pleased to announce the unaudited condensed consolidated accounts of the Company and its subsidiaries (the "Group") as at and for the six months ended 30 September 2003 together with comparative figures as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

		(Unaudited) Six months ended 30 September	
		2003	**2002**
	Note	*HK$'000*	*HK$'000*
Turnover	*2*	565,684	320,972
Cost of sales		(504,988)	(278,024)
Gross profit		60,696	42,948
Other revenue		719	300
Distribution and selling expenses		(18,522)	(9,988)
General and administrative expenses		(22,818)	(18,446)
Operating profit	*2&3*	20,075	14,814
Finance costs		(193)	(63)
Share of loss of an associate		(148)	(139)
Profit before taxation		19,734	14,612
Taxation	*4*	(3,519)	(2,883)
Profit after taxation but before minority interests		16,215	11,729
Minority interests		(1,010)	(758)
Profit attributable to shareholders		15,205	10,971
Dividends	*5*	4,000	4,000
Earnings per share – Basic	*6*	HK7.6 cents	HK5.5 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2003

	Note	(Unaudited) As at 30 September 2003 HK$'000	(Audited) As at 31 March 2003 HK$'000
Non-current assets			
Fixed assets		4,547	3,582
Interest in an associated company		1,205	898
Current assets			
Inventories		128,964	87,956
Accounts receivables	7	109,366	65,098
Prepayments, deposits and other receivables		8,649	3,750
Cash and bank balances		18,072	20,553
Total current assets		265,051	177,357
Current liabilities			
Accounts payable	8	73,562	36,902
Accruals and other payables		17,636	15,010
Short-term bank loans – unsecured		37,638	7,000
Taxation		7,351	3,258
Dividends payable		58	48
Total current liabilities		136,245	62,218
Net current assets		128,806	115,139
Total assets less current liabilities		134,558	119,619
Financed by:			
Share capital	9	20,000	20,000
Reserves		108,365	97,258
Shareholders' equity		128,365	117,258
Minority interests		6,020	2,253
Non-current liability			
Deferred taxation		173	108
		134,558	119,619

NOTES:

1. Basis of presentation and preparation

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

These condensed accounts should be read in conjunction with the 2003 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31 March 2003 except that the Group has changed its accounting policy following its adoption of SSAP 12 (revised) "Income Taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

Under SSAP 12 (revised), deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the SSAP12 (revised) represents a change in accounting policy, but has no material effect on the Group's result for the current period.

2. Segment information

(a) Primary segment

The Group is principally engaged in the trading and distribution of electronic parts, components and equipment and computer products and accessories.

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

	Six months ended 30 September 2003 (Unaudited)		
	Electronic products	**Computer products**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	278,457	287,227	565,684
Segment results	20,604	196	20,800
Unallocated costs			(725)
Operating profit			20,075
Finance costs			(193)
Share of loss of an associated company			(148)
Profit before taxation			19,734
Taxation			(3,519)
Profit after taxation			16,215
Minority interests			(1,010)
Profit attributable to shareholders			15,205

	Six months ended 30 September 2002 (Unaudited)		
	Electronic products	**Computer products**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	227,895	93,077	320,972
Segment results	14,881	(67)	14,814
Unallocated costs			–
Operating profit			14,814
Finance costs			(63)
Share of loss of an associated company			(139)
Profit before taxation			14,612
Taxation			(2,883)
Profit after taxation			11,729
Minority interests			(758)
Profit attributable to shareholders			10,971

(b) *Secondary segment*

The Group operates in the following main geographical areas

	Six months ended 30 September 2003 (Unaudited)					
	Hong Kong	**Asia Pacific**	**South Africa**	**Europe**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment turnover	507,256	29,981	15,740	10,311	2,396	565,684
Segment results	18,841	644	804	415	96	20,800
Unallocated costs						(725)
Operating profit						20,075

	Six months ended 30 September 2002 (Unaudited)					
	Hong Kong	**Asia Pacific**	**South Africa**	**Europe**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment turnover	280,028	19,119	8,654	7,164	6,007	320,972
Segment results	12,928	538	849	330	169	14,814
Unallocated costs						–
Operating profit						14,814

3. **Operating profit**

Operating profit in the condensed consolidated profit and loss account was determined after charging and crediting the following:

	(Unaudited) Six months ended 30 September	
	2003	**2002**
	HK$'000	*HK$'000*
Charging		
Staff costs (including directors' emoluments)		
– wages and salaries	22,063	15,124
– pension costs – defined contribution plans	915	473
Provision for obsolete and slow-moving inventories	2,940	3,964
Provision for doubtful debts	211	7
Depreciation of fixed assets	864	638
Operating lease rentals of premises	5,360	3,666
Impairment of goodwill arising from acquisition of a subsidiary company	54	–
Auditors' remuneration	275	300
Crediting		
Gain on dilution of interests in subsidiaries	525	–
Gain on disposal of fixed assets	32	3
Net exchange gain	635	539

4. **Taxation**

Taxation comprised:

	(Unaudited) Six months ended 30 September	
	2003	**2002**
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	3,093	2,492
– Overseas taxation	426	391
	3,519	2,883

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the subsidiaries operating in Hong Kong is as follows:

	(Unaudited) Six months ended 30 September	
	2003	**2002**
	HK$'000	*HK$'000*
Profit before taxation	19,734	14,612
Calculated at a taxation rate of 17.5% (2002: 16%)	3,453	2,338
Effect of different taxation rates in other countries	208	128
Expenses not deductible for taxation purposes	34	694
Others	(176)	(277)
Taxation charge	3,519	2,883

The Company is exempted from taxation in Bermuda until 2016.

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit arising in or derived from Hong Kong.

Mobicon Electronic Trading (Shenzhen) Limited ("MET") being a foreign investment enterprise established in the free trade zone of Futian, Shenzhen, People's Republic of China ("PRC"), 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 still in a tax loss position.

Taxation on profits of the other overseas subsidiaries has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the subsidiaries operate.

There was no material unprovided deferred taxation for the period.

5. Dividends

At a meeting held on 5 December 2003, the Directors declared an interim dividend of HK$0.02 per ordinary share for the six months ended 30 September 2003. This interim dividend is not reflected as a dividend payable in these condensed interim accounts, but reflected as an appropriation of retained profits as at 30 September 2003 (2002: HK$0.02 per ordinary share). The interim dividend will be payable on 16 January 2004 to shareholders whose names appear on the register of members of the Company on 9 January 2004.

6. Earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2003 is based on the Group's profit attributable to shareholders of approximately HK$15,205,000 (2002: HK$10,971,000) and on 200,000,000 shares (2002: 200,000,000 shares) in issue during the period.

No diluted earnings per share is presented as there were no potential dilutive ordinary shares in issue during the six months ended 30 September 2002 and 2003.

7. Accounts receivables

The Group normally grants to its customers credit periods for sales of goods ranging from 14 to 60 days. The ageing analysis of accounts receivable is stated as follows:

	As at 30 September 2003 (Unaudited) *HK$'000*	**As at 31 March 2003 (Audited)** *HK$'000*
0 to 60 days	101,699	58,688
61 to 120 days	6,118	5,489
121 to 180 days	907	500
181 to 365 days	1,118	827
	109,842	65,504
Less: Provision for doubtful debts	(476)	(406)
	109,366	65,098

8. Accounts payables

The ageing analysis of accounts payables is stated as follows:

	As at 30 September 2003 (Unaudited) *HK$'000*	**As at 31 March 2003 (Audited)** *HK$'000*
0 to 60 days	70,117	34,392
61 to 120 days	1,480	1,345
121 to 180 days	677	204
181 to 365 days	1,288	961
	73,562	36,902

9. Reserves

Movements in reserves were:

	(Unaudited) For the six months ended 30 September 2003					
	Share premium	**Capital reserve**	**Translation reserve**	**Proposed dividends**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2003	16,706	800	124	4,000	75,628	97,258
Profit for the period	–	–	–	–	15,205	15,205
Dividends paid	–	–	–	(4,000)	–	(4,000)
Proposed dividend	–	–	–	4,000	(4,000)	–
Effect of foreign exchange rate changes	–	–	(98)	–	–	(98)
As at 30 September 2003	16,706	800	26	4,000	86,833	108,365

	(Unaudited) For the six months ended 30 September 2002					
	Share premium	**Capital reserve**	**Translation reserve**	**Proposed dividends**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2002	16,706	800	–	–	65,699	83,205
Profit for the period	–	–	–	–	10,971	10,971
Proposed dividend	–	–	–	4,000	(4,000)	–
Effect of foreign exchange rate changes	–	–	(2)	–	–	(2)
As at 30 September 2002	16,706	800	(2)	4,000	72,670	94,174

BUSINESS RESULTS

The Group's turnover for the six months ended 30 September 2003 was approximately HK$566 million. This represents a sizeable increase of approximately 76% compared with the turnover of HK$321 million with the corresponding period last year, and it is also equivalent to approximately 86% of the Group's turnover during the whole of the last financial year. The net profit attributable to the Company's shareholders grew by approximately 39% to approximately HK$15 million, up from last year's HK$11 million; and represents earnings per share of approximately HK$0.076 (last year's figure: HK$0.055).

During the period under review, the Group continued to implement its "Satellite Development Strategy" and develop the business of its new Videocom retail computer service brand. These were the main factors contributing to the rapid rise in turnover and profit. Moreover, the computer business accounted for approximately 51% of the Group's total turnover, compared with approximately 29% in the same period last year. However, the lower profit margins currently prevailing in the computer product business caused the Group's gross profit margin to fall slightly to approximately 11% during the period under review.

BUSINESS REVIEW

During the period under review, the Group further developed its two core businesses, namely (1) trading and distribution of electronic parts, components and equipment under the Mobicon brand name, which accounted for approximately 49% of total turnover; and (2) trading and distribution of computer products and accessories under the retail brand Videocom. This business division is managed by a subsidiary of the Group, A Plus Computer Holdings Limited, and accounted for the rest of the Group's total turnover. The Group intends to continue developing these two businesses in a coordinated and balanced manner by using the "Satellite Development Strategy", with the aim of consolidating its leading position in the industry.

Trading and Distribution of Electronic Parts, Components and Equipment

Hong Kong

The Group's business of trading and distribution of electronic parts, components and equipment continued to grow during the period under review, and turnover increased by approximately 22% as compared with the corresponding period last year. All the Group's local subsidiaries in Hong Kong – including DV Power Limited, MCU Power Limited, Milliard Devices Limited and Arkia Advance Limited – achieved good results. The Group also concluded a number of contracts pursuant to which the Group was appointed as an agent for various prestigious brands, such as Arnold, Artesyn, AUK, Fortune and etc. A subsidiary, MCU Power Limited, which was engaged in providing micro control units and designing application solutions, achieved rapid and significant growth. This company had mastered state-of-the-art development skills, and it had already started offering numerous peripheral active components and solutions, such as the uPen and MP3 Players. It would go on to develop consumer products, including digital cameras, in the near future. In addition, The Group had established a new subsidiary, Conwise Power Limited, to provide radio frequency components and the related solutions. This company had been appointed as the sole agent in Asia of radio controlled clock manufactured by the premium European chip provider, HKW-Elektronik GmbH; and scored significant result.

Oversea

The Group's Singapore business, which was established last year, had shown improved results. The business of the Group's subsidiaries in South Africa and Malaysia was likewise encouraging. In terms of geographical segments, the Group's total turnover was made up of Hong Kong 90%, the Asia-Pacific region (other than Hong Kong) 5%, Europe 1%, South Africa 3%, and other regions 1%.

Trading and Distribution of Computer Products and Accessories

The Group had been actively developing the Videocom computer retail brand since the beginning of 2003. Its business in the trading and distribution of computer products and accessories had since grown significantly, with turnover increased by approximately 209% compared with the same period last year. Moreover, digital and wireless products were the best-selling products. These included LCD monitors, MP3 Players, digital cameras, memory cards, protocol memory modules, compact flashes, memory sticks, flash drives and etc. In a new promotional strategy, Videocom adopted a chic and adorable and energetic animated character called "Joyce" as its image girl. A new promotional slogan, "Happy promotion, Joyce is a True Joy", had also been launched to reinforce a trendy and approachable brand image that targeted the young generation of IT fans. This would become another Videocom's promotional strategies.

FUTURE OUTLOOK

The Group is optimistic about the prospects for the electronic parts business, as it believes the current excess supply of products will decline and prices will gradually increase in the near future. Looking ahead, the Group will continue to position itself as a provider of applications solutions to better meet its customers' demand for support services in this area. It will also continue to create a presence in key overseas markets. The Group will strengthen its range of product categories and increase the number of models in each category; and it will also compile and distribute comprehensive catalogues to publicise these products in overseas markets. On the other hand, it will proactively approach the world's most prestigious brands with a view to building its business further. Taking advantage of Mobicon's well-established trading platform and its inventory hub in Hong Kong, the Group will provide "SOS" (Small Order Services) to smaller companies that require smaller quantities of products. By doing this, Mobicon will be able to meet their needs better and build closer relationships with both the customers and the brands.

In the computer business, the current shortage of memory chips will lessen, which means that prices will eventually decline and sales volumes will increase. The Group believes new types of products and models will come to the market continuously and replace the existing ones. While sales of MP3 Players will continue to grow in the coming year, a new product – the MP4 Player – will also be launched in the market. The trend of upgrading computer hard drives and LCD monitors will continue. As prices of LCD TVs decline, computers will increasingly be regarded as ordinary domestic electrical appliances, and LCD TVs will replace the traditional type. The Group will leverage on this trend by enhancing Videocom's brand image and further promoting its own MEC brand. In addition to extending its retail network by establishing more outlets in computer malls, the Group will also enter the consumer product malls for the first time. In addition, it will further consolidate the scale of its computer retail business through mergers and acquisitions.

Overall, the Group is optimistic about its future prospects. CEPA (the Closer Economic Partnership Arrangement) will accelerate its development in Mainland China, where it plans to implement a localisation strategy, establish point-to-point sales services, and sell products directly in cities such as Dongguang, Guangzhou and Shanghai. As the Hong Kong economy improves, and with the strength of the Mainland China as its back up, the Board believes that the Group's operations will grow stronger than ever, thus enhancing the returns to shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2003, the Group had cash and bank balances of approximately HK$18 million (As at 31 March 2003: HK$21 million). The Group's net current assets amounted to approximately HK$129 million (As at 31 March 2003: HK$115 million).

As at 30 September 2003, the Group had aggregate banking facilities of approximately HK$70 million (As at 31 March 2003: HK$45 million) from several banks for overdrafts, loans and trade financing, with an unused balance of approximately HK$32 million (As at 31 March 2003: HK$38 million).

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

CAPITAL STRUCTURE

As at 30 September 2003, the total borrowings of the Group were approximately HK$38 million (As at 31 March 2003: HK$7 million) which are in the form of short-term bank loans for financing expansion and future development plans of its subsidiaries. The Group's bank borrowings were denominated in US dollars and Hong Kong dollars. These loans have a maturity term of two to three months and they can be rolled over afterwards at the Group's discretion. During the period, the Group's borrowings bore interest at rates ranging from 1.781% to 2.875% per annum (As at 31 March 2003: ranging from 3.656% to 3.938% per annum).

GEARING RATIO

As at 30 September 2003, the Group's gearing ratio (calculated as a percentage of total borrowings over the total assets, less current liabilities) was approximately 0.280 (As at 31 March 2003: 0.059).

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 dollar 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. As at 30 September 2003, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps, or other financial derivatives.

CHARGES ON ASSETS

The Group did not have any charge on its assets as at 30 September 2003.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 September 2003.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 30 September 2003, the Group had approximately 388 full-time employees whose remuneration is based on their individual performance and merits, years of experience and market condition.

The Group provides employee benefits such as medical scheme, discretionary bonus and share option scheme and also provides in-house training programmes and external training sponsorship.

SHARE OPTION SCHEME

On 8 August 2003, the Company approved the termination of the share option scheme which was adopted by the Company on 18 April 2001 and the adoption of a new share option scheme (the "New Share Option Scheme") pursuant to which the eligible persons may be granted options to subscribe for shares of the Company upon and subject to the terms and conditions of the rules of the New Share Option Scheme. The New Share Option Scheme is in line with the current Charter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Reasons for the adoption of the New Share Option Scheme and summary of the principal terms of the rules of the New Shares Option Scheme have been set out in the circular to the shareholders of the Company on 14 July 2003. No options have been granted up to 30 September 2003.

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 six months ended 30 September 2003.

CODE OF BEST PRACTICE

None of the Directors is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the six months ended 30 September 2003, 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 meeting in accordance with 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 unaudited condensed accounts for the six months ended 30 September 2003 with the Directors.

By order of the Board
Hung Kim Fung, Measure
Chairman and Managing Director

Hong Kong, 5 December 2003

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