



MOBICON GROUP LIMITED

萬保剛集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 1213)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

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 2004 together with comparative figures as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Note	(Unaudited)	
		Six months ended 30 September	
		2004	2003
		HK\$'000	HK\$'000
Turnover	2	682,780	565,684
Cost of sales		(592,663)	(504,988)
Gross profit		90,117	60,696
Other revenue		490	719
Distribution and selling expenses		(21,830)	(18,522)
General and administrative expenses		(37,585)	(22,818)
Operating profit	2&3	31,192	20,075
Finance costs		(841)	(193)
Share of profit/(loss) of an associated company		101	(148)
Profit before taxation		30,452	19,734
Taxation	4	(7,316)	(3,519)
Profit after taxation but before minority interests		23,136	16,215
Minority interests		(2,346)	(1,010)
Profit attributable to shareholders		20,790	15,205
Dividends	5	6,000	4,000
Earnings per share – Basic	6	HK10.4 cents	HK7.6 cents

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2004

	Note	(Unaudited)	(Audited)
		As at 30 September 2004	As at 31 March 2004
		HK\$'000	HK\$'000
Non-current assets			
Fixed assets		6,443	5,389
Interest in an associated company		929	492
Goodwill	7	116	–
Current assets			
Inventories		180,220	154,830
Accounts receivables	8	141,542	101,068
Prepayments, deposits and other receivables		11,906	8,595
Cash and bank balances		30,348	29,549
Total current assets		364,016	294,042
Current liabilities			
Accounts payable	9	86,721	74,417
Accruals and other payables		18,746	17,530
Short-term bank loans – unsecured		92,703	57,241
Taxation		8,814	3,631
Total current liabilities		206,984	152,819
Net current assets		157,032	141,223
Total assets less current liabilities		164,520	147,104

Financed by:			
Share capital		20,000	20,000
Reserves	10	133,050	118,280
Shareholders' equity		153,050	138,280
Minority interests		11,306	8,660
Non-current liability			
Deferred taxation		164	164
		164,520	147,104

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 Institute of Certified Public Accountants ("HKICPA").

These condensed accounts should be read in conjunction with the 2004 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 2004.

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 2004 (Unaudited)		
	Electronic products HK\$'000	Computer products HK\$'000	Total HK\$'000
Turnover	413,081	269,699	682,780
Segment results	34,575	(3,305)	31,270
Unallocated costs			(78)
Operating profit			31,192
Finance costs			(841)
Share of profit of an associated company			101
Profit before taxation			30,452
Taxation			(7,316)
Profit after taxation			23,136
Minority interests			(2,346)
Profit attributable to shareholders			20,790

	Six months ended 30 September 2003 (Unaudited)		
	Electronic products HK\$'000	Computer products HK\$'000	Total 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

(b) Secondary segment

The Group operates in the following main geographical areas

	Six months ended 30 September 2004 (Unaudited)					Total HK\$'000
	Hong Kong HK\$'000	Asia Pacific HK\$'000	South Africa HK\$'000	Europe HK\$'000	Others HK\$'000	
Segment turnover	605,735	44,516	17,273	10,939	4,317	682,780
Segment results	25,977	2,811	1,828	469	185	31,270
Unallocated costs						(78)
Operating profit						31,192

	Six months ended 30 September 2003 (Unaudited)					Total HK\$'000
	Hong Kong HK\$'000	Asia Pacific HK\$'000	South Africa HK\$'000	Europe HK\$'000	Others 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

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	
	2004	2003
	HK\$'000	HK\$'000
Charging		
Staff costs (including directors' emoluments)		
– wages and salaries	26,969	22,063
– pension costs – defined contribution plans	1,336	915
Provision for obsolete and slow-moving inventories	1,438	2,940
Provision for doubtful debts	425	211
Depreciation of fixed assets	1,090	864
Operating lease rentals of premises	7,350	5,360
Loss on dilution of interests in a subsidiary	2,161	–
Net exchange loss	1,851	–
Impairment of goodwill arising from acquisition of a subsidiary company	–	54
Auditors' remuneration	286	275
	286	275
Crediting		
Gain on dilution of interests in subsidiaries	–	525
Gain on disposal of fixed assets	1	32
Net exchange gain	–	635
	–	635

4. Taxation

Taxation comprised:

	(Unaudited) Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Current taxation		
– Hong Kong profits tax	5,878	3,093
– Overseas taxation	1,183	426
– Underprovision in prior year	255	–
	7,316	3,519

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	
	2004	2003
	HK\$'000	HK\$'000
Profit before taxation	30,452	19,734
Calculated at a taxation rate of 17.5%	5,329	3,453
Effect of different taxation rates in other countries	462	208
Expenses not deductible for taxation purposes	1,571	34
Underprovision in prior year	255	–
Others	(301)	(176)
Taxation charge	7,316	3,519

The Company is exempted from taxation in Bermuda until 2016.

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) 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. Dividend

At a meeting held on 13 December 2004, the Directors declared an interim dividend of HK\$0.03 per ordinary share for the six months ended 30 September 2004. This interim dividend is not reflected as a dividend payable in these condensed interim accounts, but will be reflected as an appropriation of retained profits as at 30 September 2004 (2003: HK\$0.02 per ordinary share). The interim dividend will be payable on 21 January 2005 to shareholders whose name appear on the register of members of the Company on 14 January 2005.

6. Earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2004 is based on the Group's profit attributable to shareholders of approximately HK\$20,790,000 (2003: HK\$15,205,000) and on 200,000,000 shares (2003: 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 30th September 2003 and 2004.

7. Goodwill

On 14 April 2004, the Group acquired the remaining 30% interest in A Power Limited, a subsidiary incorporated in Hong Kong which is principally engaged in trading and distribution of computer products and accessories, at consideration of HK\$150,000,000 was settled in cash. The related goodwill on acquisition amounting to approximately HK\$116,000 has been capitalised.

8. 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 2004 (Unaudited) HK\$'000	As at 31 March 2004 (Audited) HK\$'000
0 to 60 days	121,886	91,027
61 to 120 days	15,914	7,322
121 to 180 days	3,158	2,113
181 to 365 days	1,666	1,322
	142,624	101,784
Less: Provision for doubtful debts	(1,082)	(716)
	141,542	101,068

9. Accounts payables

The ageing analysis of accounts payables is stated as follows:

	As at 30 September 2004 (Unaudited) HK\$'000	As at 31 March 2004 (Audited) HK\$'000
0 to 60 days	79,164	69,363
61 to 120 days	3,601	4,093
121 to 180 days	2,036	429
181 to 365 days	1,920	532
	<u>86,721</u>	<u>74,417</u>

10. Reserves

Movements in reserves were:


	(Unaudited) For the six months ended 30 September 2004				Total
	Share premium HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	HK\$'000
As at 1 April 2004	16,706	800	511	100,263	118,280
Profit for the period	–	–	–	20,790	20,790
Dividends paid	–	–	–	(6,000)	(6,000)
Effect of foreign exchange rate changes	–	–	(20)	–	(20)
As at 30 September 2004	<u>16,706</u>	<u>800</u>	<u>491</u>	<u>115,053</u>	<u>133,050</u>
	(Unaudited) For the six months ended 30 September 2003				Total
	Share premium HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	HK\$'000
As at 1 April 2003	16,706	800	124	79,628	97,258
Profit for the period	–	–	–	15,205	15,205
Dividends paid	–	–	–	(4,000)	(4,000)
Effect of foreign exchange rate changes	–	–	(98)	–	(98)
As at 30 September 2003	<u>16,706</u>	<u>800</u>	<u>26</u>	<u>90,833</u>	<u>108,365</u>

BUSINESS RESULTS

The Group's turnover for the six months ended 30 September 2004 was approximately HK\$683 million. This represented an increase of about 21% on the figure of approximately HK\$566 million for the corresponding period of last year. The net profit attributable to shareholders grew by around 40% to approximately HK\$21 million, up from last year's HK\$15 million, and it represented earnings per share of HK\$0.104 (last year's figure: HK\$0.076).

During the period under review, the Group continued to implement its "SOS" (Small Order Services), and the unification of its product database. These aim to provide distributors and customers all over the world with the most up-to-date product information and prices via a computer platform, as well as professional one-stop procurement services. In addition, the Group made significant progress in its application solutions business, resulting in progressive growth. The Group's gross profit margin during the period under review slightly increased from 11% for the corresponding period of last year to approximately 13%. This slight increase was largely due to the relatively high gross profit margin of electronic parts products, which accounted for approximately 60% of the Group's total turnover.

BUSINESS 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 around 60% of the Group's total turnover; and (2) trading, distribution and retail sale of computer products and accessories under the  retail brand, which accounted for 40% of the Group's total turnover. During the period under review, the Group's turnover derived from trading and distribution of electronic parts, components and equipment rose significantly, by approximately 48% as compared with the corresponding period of the last fiscal year. This was mainly due to the continued investment of resources on its "Satellite Development Strategy", and provision of comprehensive applications and services for its electronic products through the five satellite companies under its umbrella.

Trading and Distribution of Electronic Parts, Components and Equipment

Hong Kong

Since the inception of its "Satellite Development Strategy", the Group has rapidly transformed itself from a company that trades electronic parts, components and equipment into a distributor that is capable of designing and developing application solutions. Coupled with the emergence of the knowledge-based economy and the Group's development of a professional sales force, its electronic parts business has succeeded in gaining a substantial market share. Moreover, to counter the trends towards the predominance of consumer electronic products, abundance in the variety of electronic products available, and low demand for large-volume orders for individual products in the Hong Kong market, the Group continued to expand its "SOS". This caters for small orders and allows customers to choose and purchase small quantities of a wide variety of different components, while addressing the needs of large enterprises.




In general, the Mobicon Group's subsidiaries performed well, with a substantial increase of up to 50% in their total turnover during the period under review, as compared with the corresponding period last year. Each subsidiary developed well in its own specialised market by leveraging its own expertise. One of these subsidiaries, Conwise Power Ltd., developed a low-cost radio controlled clock and watch technology that synchronises and automatically adjusts clocks and watches to national time signals, thus significantly enhancing the accuracy of such clocks and watches. Radio controlled clock products and technology are popular in Japan, the US and European countries, and sales in those markets were satisfactory. Meanwhile, MCU Power Ltd. became the first local MP3 chip application developing distributor to acquire both product design and application solution expertise. It provided customers with technical support, such as comprehensive interface designs and innovative functionalities. To meet the market's needs, Arkia Advance Limited, which focuses primarily on Bluetooth technology, collaborated with AvantWave to introduce Bluetooth modules, providing Bluetooth platform hardware and a variety of application software products for cell phones and accessory products such as hands-free devices. It also provided comprehensive production technology solutions to cater for customer needs.

Overseas

During the period under review, the business of the Group's overseas subsidiaries also grew rapidly. Their overall turnover for the six months ended 30 September 2004 was approximately HK\$37 million and this accounted for 9% of the Group's electronic parts business. This also represented an increase of around 32% on the figure of approximately HK\$28 million for the corresponding period of last year.

In terms of geographical segments, the turnover of each region was almost as great as in the corresponding period of last year and the percentages were: Hong Kong 89%, the Asia-Pacific region (other than Hong Kong) 6%, Europe 2%, South Africa 2%, and other regions 1%.



Trading, Distribution and Retail Sale of Computer Products and Accessories

The  Bazaar has been well received by the market since it opened in August this year. Its target customers are mainly computer wholesale buyers, dealers and IT professionals, and these sectors accounted for 70% of all the Group's computer product customers. In addition, the Group continued to develop its computer retail business. During the period under review, its total number of outlets in major computer centres across the territory increased to 16. These retail outlets focus on computer hobbyists in the middle and upper-income groups, who accounted for around 30% of the customers of . This also helped to make  the biggest brand in local computer product retail outlets, and reinforced the Group's leading position in the computer products retail market.

On 16 November 2004, the Group acquired an additional 29% interest representing 232,000 shares in A Plus Computer Holdings Limited, a subsidiary of the Group incorporated in the British Virgin Islands which is the direct holding company of certain subsidiaries of the Group which are principally engaged in the trading of computer products and accessories in Hong Kong, at a total consideration of US\$232,000.

FUTURE OUTLOOK

In its trading and distribution business of electronic parts, components and equipment, the Group will continue to unify its product database and align it with the expertise and professional services of its subsidiaries in line with its "Satellite Development Strategy". It will continue to consolidate its position in the Hong Kong market, while simultaneously develop the huge markets that exist in China and other regions, such as Asia and South Asia.

As for its trading, distribution and retail sale of computer products and accessories, the Group will adopt a product-oriented sales strategy, and boost its sales of LCD TVs under 21 inches. It will introduce the groundbreaking offer of supplying a TV tuner free with every purchase of an LCD TV. Its strong ambition is to position itself as the pioneer in selling LCD TVs in computer centres, and eventually make  – which is already the leader in the computer product retail market – the ultimate choice of consumers for LCD TV. Furthermore, to meet the needs of computer hobbyists and further expand its computer retail business,  expects to increase its sales of DIY computers from the current figure of 2,000 sets per month to 3,000 sets per month.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2004, the Group had cash and bank balances of approximately HK\$30 million (as at 31 March 2004: HK\$30 million). About 2%, 6%, 4%, 2% and 14% of the total cash and bank balances were denominated in Singapore dollars, Chinese Renminbi, Malaysia Ringgit, South African Rand and US dollars respectively and the remainder of about 72% were denominated in Hong Kong dollars. The Group's net current assets amounted to approximately HK\$157 million (as at 31 March 2004: HK\$141 million).

As at 30 September 2004, the Group had aggregate banking facilities of approximately HK\$155 million (as at 31 March 2004: HK\$93 million) from several banks for overdrafts, loans and trade financing, with an unused balance of approximately HK\$61 million (as at 31 March 2004: HK\$36 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 2004, the total borrowings of the Group were approximately HK\$93 million (as at 31 March 2004: HK\$57 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. They were secured by the Company's corporate guarantee of approximately HK\$165 million (as at 31 March 2004: HK\$103 million). 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 under review, the Group's borrowings bore interest at rates ranging from 1.6% to 4.4% per annum (as at 31 March 2004: ranging from 1.3% to 4.3% per annum).

GEARING RATIO

The Group's gearing ratio as at 30 September 2004 was approximately 56.4% (as at 31 March 2004: 38.8%), which was measured on the basis of total borrowings of approximately HK\$93 million (as at 31 March 2004: HK\$57 million) as a percentage of total assets less current liabilities of approximately HK\$165 million (as at 31 March 2004: HK\$147 million).

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. In order to properly hedge against its demand for US dollars, the Group has entered into a forward contract to buy US\$500,000 at a rate of HKD7.75. Other than that, as at 30 September 2004, the Group had no further exposure to 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 2004.

COMMITMENTS AND CONTINGENT LIABILITIES

During the period under review, the Group had entered into a foreign exchange contract as mentioned above and committed to sell Hong Kong Dollars in return for US Dollars on each specified monthly Settlement Date under the contract from 15 September 2004 to 15 February 2006. Pursuant to the contract, the Group is committed to sell HKD3,875k and buy USD500k in the event that the spot rate at expiration date is greater than or equal to the contract forward rate (i.e. USD1.00 = HKD7.75). Otherwise, the Group is committed to sell HKD11,625k and buy USD1,500k in the event that the spot rate at expiration date is less than the contract forward rate.

As at 30 September 2004, the Group had total outstanding operating lease commitments of approximately HK\$14 million (as at 31 March 2004: HK\$18 million). In view of the Group's high level of liquid funds, it is expected that the Group will be able to fulfil all these commitments without any difficulty.

The Group had no contingent liabilities as at 30 September 2004.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 13 January 2005 (Thursday) to 14 January 2005 (Friday), both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of share accompanied by the relevant share certificate must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at its office situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 12 January 2005 (Wednesday).

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 30 September 2004, the Group's operations engaged a total of 457 full time employees. The Group has also developed its human resources policies and procedures based on performance, merits and market condition. Discretionary bonus is linked to the performance of the Group as well as individual performance. Benefits 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.

DEALING IN COMPANY'S LISTED SECURITIES

During the six-month period ended 30 September 2004, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors of the Company was 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 at any time during the six months ended 30 September 2004, save that the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions 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 unaudited condensed accounts for the six months ended 30 September 2004 with the Directors. The Committee comprises three independent non-executive directors, namely Mr. Charles E. Chapman, Dr. Leung Wai Cheung and Mr. Chow Shek Fai.

PUBLICATION OF DETAILED INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

All the information of the interim results of the Group for the period ended 30 September 2004 required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange no later than 31 December 2004.

MEMBERS OF THE BOARD

As at the date of this announcement, the Board comprises Mr. 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.

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

Hong Kong, 13 December 2004

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