


MOBICON GROUP LIMITED

INTERIM REPORT 2004/2005

Asian Knowledge, Local Services



The image shows a woman with long black hair, wearing a red blazer, pointing her right hand towards a computer monitor. The monitor displays the ICMaster website, which is a product catalog. The website's header includes the company name 'MOBICON | ICMASTER' and the URL 'www.icmaster.com.hk'. Below the header are three main navigation buttons: 'Components', 'Automation', and 'Equipment'. The 'Equipment' button is highlighted. The main content area of the website is a grid of product categories, with 'Equipment' and 'Components' being the most prominent. The 'Equipment' section lists various brands and models, including ACUTE, ADVANTECH, AMBERSIL, AMP, APW, ATMEL, AVO, BLACK & DECKER, BRANSONIC, BW, CEISO, CHROMA, CRC, DIGIMISS, DISTO, DIY KIT, ELECTROLUBE, EZ DIGITAL, FLUKE, GOUT, HAKKO, HAWEG, HI-LO SYSTEMS, HIKKI, HITACH, HT, INSTEK, JRC, JUNG JIN, K&H, KENWOOD, KH, KIKUSU, KONTAKT, LEADER, LEAP, LG, LATTICE, MAXM, MEC, MICROCHIP, ST, SUNON, UTRON, and WINBO. The website is viewed through a Microsoft Internet Explorer browser window, with the address bar showing 'http://www.icmaster.com.hk'.

ICMASTER - Microsoft Internet Explorer

檔案(F) 網誌(B) 檢視(V) 我的最愛(S) 工具(T) 說明(H)

上一步 后退 前进 刷新 搜索 我的最爱 收藏夹 地址

地址 http://www.icmaster.com.hk

MOBICON | ICMASTER www.icmaster.com.hk

Components Automation Equipment

Equipment Components

A-E

- ACUTE
- ADVANTECH
- AMBERSIL
- AMP
- APW
- ATMEL
- AVO
- BLACK & DECKER
- BRANSONIC
- BW
- CEISO
- CHROMA
- CRC
- DIGIMISS
- DISTO
- DIY KIT
- ELECTROLUBE
- EZ DIGITAL

F-J

- FLUKE
- GOUT
- HAKKO
- HAWEG
- HI-LO SYSTEMS

F-J

- HIKKI
- HITACH
- HT
- INSTEK
- JRC
- JUNG JIN

K-M

- K&H
- KENWOOD
- KH
- KIKUSU
- KONTAKT
- LEADER
- LEAP
- LG

K-M

- LATTICE
- MAXM
- MEC
- MICROCHIP

O-T

- ST
- SUNON

U-Y

- UTRON
- WINBO

ICMASTER - Micro...

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CORPORATE INFORMATION

Directors

Executive directors

Mr. Hung Kim Fung, Measure (*Chairman*)
Ms. Yeung Man Yi, Beryl (*Deputy Chairman*)
Mr. Hung Ying Fung
Mr. Yeung Kwok Leung, Allix

Independent non-executive directors

Mr. Charles E. Chapman[#]
Dr. Leung Wai Cheung[#]
Mr. Chow Shek Fai[#]

[#] *Audit Committee Member*

Company secretary

Mr. Yeung Kin Kwan, Alvan
FCCA, FCPA, FITA, FHKIoD, ATIHK

Registered office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business

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

Auditors

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

Share registrars and transfer office

Principal registrars

Bank of Butterfield International (Cayman) Limited
P.O. Box 75
Butterfield House, Fort Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Branch registrars in Hong Kong

Hong Kong Registrars Limited
Shops 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal banker

DBS Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

Legal advisers

F. Zimmern & Co.
Suites 1501-1503, 15th Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

Bermuda principal share registrar

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Company homepage/website

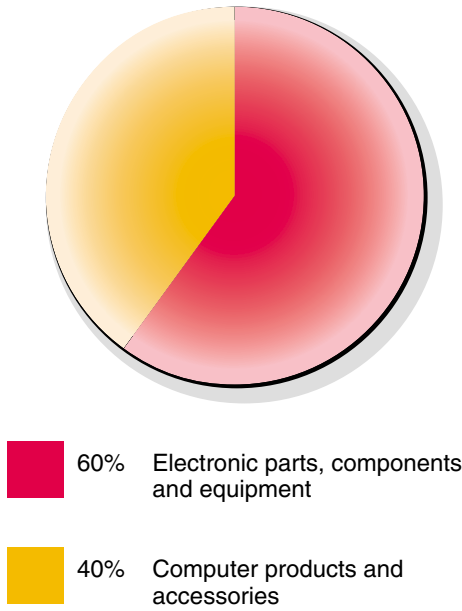
<http://www.mobicon.com>

Stock code

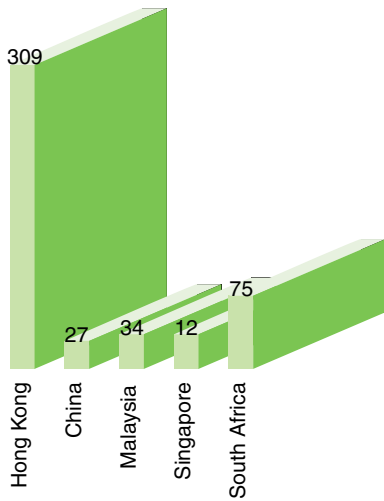
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FINANCIAL SUMMARY

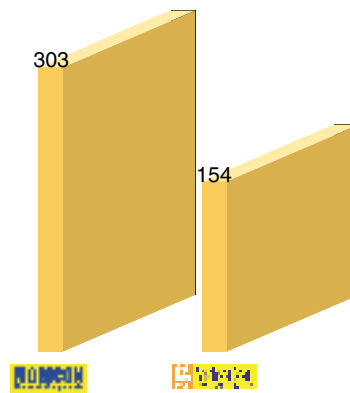
Turnover by business segments (by percentage)



Distribution of workforce* by geographical location



Distribution of workforce* by line of business



* Total: 457 employees

REPORT OF THE DIRECTORS

The Board of Directors (the “Directors”) of Mobicon Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated accounts of the Company and its subsidiaries (the “Group”) as at and for the six months’ period ended on 30 September 2004 (the “Period under Review”) together with comparative figures and explanatory notes in this interim report.

INTERIM DIVIDEND

By a board resolution passed on 13 December 2004, the Directors had resolved to declare an interim dividend of HK\$0.03 per ordinary share for the six months ended 30 September 2004 (2003: HK\$0.02 per ordinary share). The interim dividend will be payable on 21 January 2005 to shareholders whose names appear on the register of members of the Company as at 14 January 2005.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of declaring the interim dividend, the Directors resolved that 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).

SHARE OPTIONS SCHEME

On 8 August 2003, the Company adopt 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 Group 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 Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Since the adoption, no options have been granted under the New Share Option Scheme up to the date of this interim report.

DIRECTORS’ INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 September 2004, the interests and short positions of each director and chief executive of the Company and his/her associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for the Securities Transactions by Directors of Listed Companies were as follows:

(i) Ordinary shares of HK\$0.10 each in the Company

Director	Long/short position	Number of shares			Percentage
		Personal interests	Family interests	Total interests	
Mr. Hung Kim Fung, Measure	Long	–	90,000,000 (Note a)	90,000,000	45%
Ms. Yeung Man Yi, Beryl	Long	–	90,000,000 (Note a)	90,000,000	45%
Mr. Hung Ying Fung	Long	30,000,000	–	30,000,000	15%
Mr. Yeung Kwok Leung, Allix	Long	–	30,000,000 (Note b)	30,000,000	15%

Note:

- These shares are held by M2B Holding Limited, a wholly-owned subsidiary of Action 2 Limited which, in turn, is wholly and beneficially owned by Mr. Hung Kim Fung, Measure and Ms. Yeung Man Yi, Beryl. Action 2 Limited is the trustee of Beryl Unit Trust set up by its shareholders. The assets of Beryl Unit Trust include the entire issued share capital of M2B Holding Limited, which are ultimately held by Trident Trust Company (Cayman) Limited as trustee for the benefit and upon trust for the Measure & Beryl Trust, which is a discretionary trust.
- These shares are held by Bestmark Management Limited, a wholly-owned subsidiary of Holford Group Corporation which, in turn, is wholly and beneficially owned by Mr. Yeung Kwok Leung, Allix and his spouse, Ms. Wan Lam Keng. Holford Group Corporation is the trustee of A&W Unit Trust set up by its shareholders. The assets of A&W Unit Trust include the entire issued share capital of Bestmark Management Limited, which are ultimately held by Trident Trust Company (Cayman) Limited as trustee for the benefit and upon trust for the Trinity Trust, which is a discretionary trust.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (Continued)**(ii) Non-voting deferred shares in a subsidiary – A Plus Electronic Company Limited (“A Plus”)**

As at 30 September 2004, each of Mr. Hung Kim Fung, Measure, Ms. Yeung Man Yi, Beryl, Mr. Hung Ying Fung and Mr. Yeung Kwok Leung, Allix has beneficial interests in his/her personal capacity in the following number of non-voting deferred shares in A Plus:

Name	Long/short position	Number of non-voting deferred shares	Percentage
Mr. Hung Kim Fung, Measure	Long	300,000 shares of HK\$1.00 each	30%
Ms. Yeung Man Yi, Beryl	Long	300,000 shares of HK\$1.00 each	30%
Mr. Hung Ying Fung	Long	200,000 shares of HK\$1.00 each	20%
Mr. Yeung Kwok Leung, Allix	Long	200,000 shares of HK\$1.00 each	20%

Save as disclosed above and under the section headed “Share Options Scheme”, at no time during the Period under Review, the directors and chief executive of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed under the section headed “Share Options Scheme”, at no time during the Period under Review was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its holding company a party to any arrangements which enabled the directors or chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

COMPLIANCE WITH CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS

During the Period under Review, the Company had adopted a Code of Conduct regarding Directors' transactions in securities of the Company on terms no less exacting than the required standard set out in the Model Code under Appendix 10 to the Listing Rules. Having made all reasonable enquiries with the Directors, the Company was of view that the Directors had complied with the said Code of Conduct throughout the Period under Review.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 13 to the accounts, no contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Period under Review or at any time during the Period under Review.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2004, the register of substantial shareholders maintained under Section 336 of the SFO showed that the Company had not been notified of any substantial shareholders' interests, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executive of the Company as disclosed above.

DEALINGS IN LISTED SECURITIES OF THE COMPANY

During the Period under Review 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 was aware of any information which would reasonably 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 for any part of the six months' period ended on 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 of the Company 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' period ended on 30 September 2004 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.

MEMBERS OF THE BOARD

As at the date of this report, 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


MANAGEMENT DISCUSSION AND ANALYSIS

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.

BUSINESS REVIEW (Continued)




Trading and Distribution of Electronic Parts, Components and Equipment (Continued)

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.



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 in the next 18 months. 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.

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.



CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

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

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2004

		(Unaudited) As at 30 September 2004 HK\$'000	(Audited) As at 31 March 2004 HK\$'000
Non-current assets			
Fixed assets	7	6,443	5,389
Interest in an associated company		929	492
Goodwill	8	116	-
Current assets			
Inventories		180,220	154,830
Accounts receivables	9	141,542	101,068
Prepayments, deposits and other receivables		11,906	8,595
Cash and bank balances		30,348	29,549
Total current assets		<u>364,016</u>	<u>294,042</u>
Current liabilities			
Accounts payable	10	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		<u>206,984</u>	<u>152,819</u>
Net current assets		<u>157,032</u>	<u>141,223</u>
Total assets less current liabilities		<u>164,520</u>	<u>147,104</u>
Financed by:			
Share capital	11	20,000	20,000
Reserves		133,050	118,280
Shareholders' equity		153,050	138,280
Minority interests		11,306	8,660
Non-current liability			
Deferred taxation		164	164
		<u>164,520</u>	<u>147,104</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	(Unaudited)					
	Share capital	Share premium	Capital reserve	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2004	20,000	16,706	800	511	100,263	138,280
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>20,000</u>	<u>16,706</u>	<u>800</u>	<u>491</u>	<u>115,053</u>	<u>153,050</u>
As at 1 April 2003	20,000	16,706	800	124	79,628	117,258
Profit for the period	-	-	-	-	15,205	15,205
Dividend paid	-	-	-	-	(4,000)	(4,000)
Effect of foreign exchange rate changes	-	-	-	(98)	-	(98)
As at 30 September 2003	<u>20,000</u>	<u>16,706</u>	<u>800</u>	<u>26</u>	<u>90,833</u>	<u>128,365</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	(Unaudited)	
	Six months ended	
	30 September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(25,675)	(30,543)
Net cash used in investing activities	(2,630)	(908)
Net cash from financing activities	29,064	29,288
Increase/(Decrease) in cash and bank deposits	759	(2,163)
Cash and cash equivalents, beginning of period	29,549	20,553
Effect of foreign exchange rate changes	40	(318)
Cash and cash equivalents, end of period	<u>30,348</u>	<u>18,072</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank deposits	<u>30,348</u>	<u>18,072</u>

NOTES TO THE INTERIM FINANCIAL REPORT

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

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

2. **Segment information** (Continued)

(b) *Secondary segment*

The Group operates in the following main geographical areas

	Six months ended 30 September 2004					
	(Unaudited)					
	Hong Kong	Asia Pacific	South Africa	Europe	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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						<u>31,192</u>

	Six months ended 30 September 2003					
	(Unaudited)					
	Hong Kong	Asia Pacific	South Africa	Europe	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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						<u>20,075</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Charging</u>		
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
	<u>286</u>	<u>275</u>
<u>Crediting</u>		
Gain on dilution of interests in subsidiaries	–	525
Gain on disposal of fixed assets	1	32
Net exchange gain	–	635
	<u>–</u>	<u>635</u>

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	–
	<u>7,316</u>	<u>3,519</u>

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	<u>30,452</u>	<u>19,734</u>
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	<u>(301)</u>	<u>(176)</u>
Taxation charge	<u>7,316</u>	<u>3,519</u>

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. Dividends

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 names appear on the register of members of the Company as at 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. Fixed assets

Movement of fixed asset for the six months ended 30 September 2004:

	(Unaudited) <i>HK\$'000</i>
Net book value at 1 April 2004	5,389
Additions	2,191
Disposals	(11)
Depreciation	(1,100)
Translation adjustment	(26)
	<hr/>
Net book value at 30 September 2004	6,443

8. Goodwill

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

9. 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) <i>HK\$'000</i>	As at 31 March 2004 (Audited) <i>HK\$'000</i>
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
	<hr/>	<hr/>
	142,624	101,784
Less: Provision for doubtful debts	(1,082)	(716)
	<hr/>	<hr/>
	141,542	101,068

10. Accounts payables

The ageing analysis of accounts payables is stated as follows:

	As at 30 September 2004 (Unaudited) <i>HK\$'000</i>	As at 31 March 2004 (Audited) <i>HK\$'000</i>
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
	<hr/>	<hr/>
	86,721	74,417
	<hr/>	<hr/>

11. Share capital

	Authorised	
	Number of shares (Unaudited) '000	Nominal Value (Unaudited) HK\$'000
As at 1 April 2004 and 30 September 2004	<u>2,000,000</u>	<u>200,000</u>
	Issued and fully paid	
	Number of shares (Unaudited) '000	Nominal Value (Unaudited) HK\$'000
As at 1 April 2004 and 30 September 2004	<u>200,000</u>	<u>20,000</u>

12. Commitments and contingent liabilities

(a) Operating lease commitments

As at 30 September 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 30 September 2004 (Unaudited) HK\$'000	As at 31 March 2004 (Audited) HK\$'000
- Not later than one year	10,369	11,178
- Later than one year and not later than five years	<u>3,669</u>	<u>6,662</u>
	<u>14,038</u>	<u>17,840</u>

(b) Contingent liabilities

As at 30 September 2004, the Group did not have any significant contingent liabilities.

13. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) Particulars of significant transactions between the Group and related parties are summarised below:

		(Unaudited) Six months ended 30 September	
	Note	2004 HK\$'000	2003 HK\$'000
Management fee received from an associated company	(i)	69	69
Interest income received from an associated company		27	32
Rentals paid/payable to:			
- M-Bar Limited	(ii)	<u>1,091</u>	<u>1,041</u>

Note:

- (i) Management fee was received from an associated company, Create Tech Software Systems Limited at a fixed monthly rate of HK\$11,500 per month for use and lease of facilities by the Group.
- (ii) M-Bar Limited is a wholly-owned subsidiary of Mobicon Electronic Supplies Company Limited, a company beneficially owned by Mr. Hung Kim Fung, Measure (30%), Ms. Yeung Man Yi, Beryl (30%), Mr. Hung Ying Fung (20%) and Mr. Yeung Kwok Leung, Allix (20%), directors and substantial shareholders of the Company. The lease agreements with M-Bar Limited were entered into at terms agreed between the contracting parties.

13. Related party transactions *(Continued)*

- (b) Included in prepayments, deposits and other receivables were rental deposits paid to M-Bar Limited of approximately HK\$427,000 (2003: HK\$382,000).

- (c) Included in accruals and other payables was an amount due to a minority shareholder of approximately HK\$5,439,000 (2003: HK\$4,897,000). The amount is unsecured, interest free and repayable on demand.

14. Subsequent events

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 approximately HK\$1,810,000, resulting in goodwill on acquisition of approximately HK\$36,000.