



## MOBICON GROUP LIMITED

### 萬保剛集團有限公司\*

(incorporated in Bermuda with limited liability)

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2001

The board of directors (the "Board") of Mobicon Group Limited ("the Company") announce the audited results of the Company and the companies comprising the group (collectively referred to as "the Group") for the year ended 31 March 2001 are as follows:

	Note	2001 HK\$'000	2000 HK\$'000
Turnover	2	460,926	588,172
Cost of sales		(388,830)	(527,298)
Gross profit		72,096	60,874
Distribution and selling expenses		(1,683)	(1,523)
General and administrative expenses		(28,139)	(25,390)
Profit from operations		42,274	33,961
Interest income		823	495
Profit before taxation	2 & 3	43,097	34,456
Taxation	4	(6,101)	(5,523)
Profit after taxation but before minority interests		36,996	28,933
Minority interests		(1,625)	(1,110)
Profit attributable to shareholders		35,371	27,823
Retained profit, beginning of year		144,442	116,619

Dividends	5	(113,517)	-
Retained profit, end of year		66,296	144,442
Earnings per share - Basic	6	HK\$0.24	HK\$0.19

Note:

## 1. GROUP REORGANISATION 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. Upon incorporation, the Company had an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each, all of which were allotted and issued nil paid. Pursuant to a group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the other companies comprising the Group on 18 April 2001. Since 7 May 2001, the Company's shares have been listed on the Stock Exchange.

During the period from 11 January 2001 (date of incorporation) to 31 March 2001, the Company has remained inactive and accordingly, no results of operation were presented for the Company during that period. In addition, combined financial statements of the Group have been prepared and presented as if the aforementioned group reorganisation was completed throughout the two years ended 31 March 2000 and 2001. Details of the reorganisation will be presented in the annual report of the Company for the year ended 31 March 2001.

All significant transactions and balances among the companies comprising the Group have been eliminated on combination.

## 2. TURNOVER AND SEGMENTAL INFORMATION

Turnover by principal activities and their respective contributions to profit(loss) before taxation are:

	2001		2000
	Profit (loss)		Profit (loss)
	before		before
	Turnover	taxation	Turnover
			taxation

	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of merchandise:				
- electronics components and accessories	335,959	43,328	283,175	30,512
- computer products and accessories	124,967	(1,054)	304,997	3,449
	460,926	42,274	588,172	33,961
Interest income from bank deposits		823		495
		43,097		34,456

Analysis of turnover by geographical location is as follows:

	2001 HK\$'000	2000 HK\$'000
Hong Kong	337,283	370,514
Europe	49,280	81,631
America	22,615	77,737
Asia Pacific (other than Hong Kong)	38,223	41,235
Others	13,525	17,055
	460,926	588,172

Turnover by geographical location is determined on the basis of the destination of delivery of merchandise for the Group's sales of merchandise. No analysis of profit(loss) after taxation by geographical location is presented as it is generally in line with the distribution of turnover as set out above.

### 3. PROFIT BEFORE TAXATION

Profit before taxation was determined after charging the following:

	2001 HK\$'000	2000 HK\$'000
Staff costs (including directors' emoluments)	19,066	18,451
Depreciation of fixed assets	1,109	723

#### 4. TAXATION

Taxation consisted of:

	2001 HK\$'000	2000 HK\$'000
Current taxation - Hong Kong profits tax	6,322	5,302
Deferred taxation - Hong Kong profits tax	(221)	221
	6,101	5,523

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax was provided at the rate of 16% for the year ended 31 March 2001 (2000 - 16%) on the estimated assessable profit arising in or derived from Hong Kong.

#### 5. DIVIDENDS

During the year, the following subsidiaries of the Company declared dividend to its then shareholders prior to the Reorganisation:

- (i) On 30 October 2000, MESC - Trading Division declared a dividend of approximately HK\$41,718,000 to the shareholders of Mobicon Electronic Supplies Company Limited, who are also the directors of the Company, out of which approximately HK\$34,118,000 was settled by offsetting balances due from those directors. The remaining balance was settled in cash.
- (ii) On 15 March 2001, A Plus Electronic Company Limited declared a dividend of HK\$67,059,000 to its then shareholders, who are also the directors of the Company, out of which approximately HK\$52,537,000 of the dividend payable was settled by offsetting balance due from those directors. The remaining balance was settled in cash.
- (iii) On 15 March 2001, M-Tec Electronic Limited, a 60% subsidiary as at 31 March 2001, declared a dividend of HK\$7,900,000 to its then shareholders, who are also the directors of the Company.

No dividend has been declared by the Company for the year ended 31 March 2001.

## 6. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 March 2001 is based on the combined profit attributable to shareholders of approximately HK\$35,371,000 (2000 - HK\$27,823,000) and on the weighted average number of approximately 150,000,000 shares (2000 - 150,000,000 shares) deemed to have been issued throughout the year.

There were no potential dilutive ordinary shares in existence for the years ended 31 March 2000 and 2001, and accordingly, no diluted earnings per share have been presented.



## 7. RESERVES

As at 31 March 2001, the Company did not have any distributable reserves.

## FINAL DIVIDEND

The Directors of the Company do not recommend the payment of a final dividend in respect of the year ended 31 March 2001 (2000 - Nil).

## BUSINESS REVIEW

The Group is principally engaged in the distribution and procurement of electronic parts and components, as well as computer accessories, and is distinguished among trading service providers in Hong Kong by using catalogues as its main distribution channel. Under the service brand names "Mobicon Electronic Components"  and "IC Master" , the Group provides manufacturers, small and medium enterprises ("SMEs") and individual consumers with full trading services, from answering enquiries and providing information right through to delivery and after-sales service. It also offers a complete price comparison system which saves customers the inconvenience of comparing and selecting prices through their own efforts.

The Group's total turnover for the year ended 31 March 2001 was HK\$461 million, representing a decrease of approximately 22% as compared with HK\$588 million last year. However, in spite of the decline in turnover, gross profit rose by approximately 18% from HK\$61 million last year to HK\$72 million. The result reflects the success of the Group's strategy of gradually shifting the focus of its product portfolio to electronic parts and components that generally command a

higher profit margin.

Operating profit for the year was HK\$42 million, of which profit attributable to shareholders stood at HK\$35 million, representing earnings ended 31 March 2001 per share of HK\$0.24.

## **Distribution and Procurement of Electronic Parts and Components**

In this period, the Group achieved satisfactory performance in the distribution and procurement of electronic parts, with turnover in this category amounting to HK\$336 million, representing approximately 73% and 93% of the Group's total turnover and gross profit contribution respectively.

In spite of the decline of "dotcom mania" and a slowdown in the expansion of the electronics market, the Group's business has continued to perform well. This can be attributed to the fact that it deals mainly in those electronic parts and components commonly used in consumer products, toys and telecommunications equipment, which constitute the more stable sectors of the electronics market.

## **Distribution and Procurement of Computer Products**

The distribution and procurement of computer products and accessories contributes approximately 27% of the Group's total turnover and approximately 7% of its gross profit.

Following the Hong Kong Government's amendment of copyright legislation earlier this year, it is now an offence to knowingly use unlicensed software in the course of trade or business. Consequently, the market for legitimate software is expected to expand rapidly. As a Microsoft Certified Partner, the Group can provide customers with professional advice on software purchasing, and can tailor systems integration, installation, network design, application solutions and other supporting services to meet the needs of its customers.

## **RECENT DEVELOPMENTS**

The Group was listed on the Main Board of the Stock Exchange on 7 May 2001, and raised HK\$50 million through issuing 50 million new shares at HK\$1 each. The net proceeds of the Share Offer, after deducting related expenses, amounted to about HK\$40 million. It is intended that these net proceeds will be applied to several projects, including about HK\$15 million for the

development of new product lines; about HK\$15 million for the setting up of sales offices in Malaysia, Singapore and Taiwan; and about HK\$4 million for the setting up of a product database and development centre in Shenzhen, the PRC. The balance of HK\$6 million is being used as general working capital for the Group.

To diversify its product range, the Group has recently signed distribution agreements with major international suppliers. These include a master distribution agreement for on-line micro uninterruptible power supply products between the Group's subsidiary, A-Plus Electronic Company Limited and Liebert Asia Ltd in July, 2001; a distribution agreement for MAX ECHO chip inductor products with 台灣鈺鎧科技股份有限公司 in June, 2001; and an agreement to act as an authorised agent for SRAM with Utron Technology Inc. in May, 2001. The Group views the continual introduction of new products as an important element in maintaining its competitive market position, and will therefore continue to establish business relationships with additional suppliers in order to strengthen the quality and variety of its product range.

The Group has also extended its overseas trading network. In order to shorten the distance between the Group and its existing and potential overseas customers, and to provide a localised service, the Group plans to establish more overseas offices and to form strategic alliances with local electronic parts providers in the territories where it operates. Recently, the Group moved a step forward in this strategy by establishing Mobicon-Remote Electronics Sdn Bhd in Malaysia, a joint venture with a well-established Malaysian electronic parts supplier, "Remote Electronic Components Sdn. Bhd.". This partnership will bring benefits to both parties by combining their respective strengths in products, pricing and customer base. Furthermore, the new venture will also benefit from the Malaysian Government's commitment to promote the development of SMEs. The Group is therefore very optimistic about the future prospect of this venture.

In order to strengthen its engineering design service and its position as a total solution provider, the Group established MCU Power Limited during the year to offer Micro Control Unit (MCU) solutions targeting at the intelligent electrical appliances market.

## **PROSPECTS**

The Group has a healthy financial status, clear market positioning, and a well defined strategic development blueprint covering everything from the development of its market and product range to the Group's future scale. In view of the high demand for total solution service in the local and regional markets, the Group is confident of its successful future development in the coming year and beyond.

To unlock the development potential of local and global markets, the Group will continue its "Satellite Development" and "Localisation" strategies to expand its presence and improve its corporate image in overseas markets, while enhancing its back-end support in order to strengthen the competitiveness of the Group and to earn better returns for its shareholders.

The Group also plans to produce a series of 20 categorised product catalogues, the first 10 of which will be finished in October 2001 for distribution to 73 countries around the globe. By this means, the Group aims to build up a closer business relationship with its suppliers and to increase the interest in its services among owners of international brands, in order to further strengthen its global position.

To support these moves to develop overseas markets, the Group will increase the manpower of its product database and development centre in Shenzhen in order to strengthen its overall procurement capability and to make its product database more comprehensive and cost-effective.

In the long term, the Group will continue to implement its successful business model and philosophy as it strives to become the leading electronic components trading service provider in the Asia Pacific region.

## **FINANCIAL POSITION**

The financial foundation of the Group is strong with ample cash flow. As at 31 March 2001, the Group held a total of HK\$46 million in cash and bank balances, of which cash in hand comprised HK\$153,000. Net asset value per share was HK\$0.45 and administration expenses during the year amounted to HK\$28 million.

## **EMPLOYEES**

The Group is well aware of the importance of quality management and specialist expertise as key factors in achieving corporate success. It has therefore put considerable emphasis on staff training. For example, the Sales Department, Procurement Department and Warehouse Department staff have attended an ISO 9001 training course during the year in order to upgrade their professional knowledge and service quality. The Group also organises social activities from time to time to foster a sense of belonging among staff.

## **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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") since the listing date of 7 May 2001, except that the independent non-executive directors have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company 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 2001 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 2001.

## **APPRECIATION**

I would like to thank all management teams and 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 fellow 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, 17 July 2001

## **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, Yat Yat Chuen, Kowloon, on Thursday, 23rd August, 2001 at 11:30 a.m. for the following purposes:-

1. To receive and consider the audited combined financial statements and the reports of the

directors and auditors for the year ended 31 March 2001.

2. To re-elect directors and to authorise the board of directors to fix their remuneration.
3. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
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, 17th July, 2001

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, Hong Kong Registrars Limited at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, 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 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 Hong Kong i-mail"