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CORPORATE INFORMATION

Directors

Executive Directors

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

Independent non-executive Directors

Charles E. Chapman
 Leung Wai Cheung

Company secretary

Yeung Kin Kwan, Alvan
 FCCA, AHKSA, 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

Arthur Andersen & Co
Certified Public Accountants
 21st Floor, Edinburgh Tower
 The Landmark
 15 Queen's Road Central
 Hong Kong

Hong Kong branch share registrar and transfer office

Hong Kong Registrars Limited
 2nd Floor
 Vicwood Plaza
 199 Des Voeux Road Central
 Hong Kong

Principal banker

The Hongkong and Shanghai Banking Corporation Limited
 2nd Floor
 673 Nathan Road
 Mongkok
 Kowloon
 Hong Kong

Legal advisers

F. Zimmern & Co.
 7th Floor, Central Building
 1 Pedder Street
 Central
 Hong Kong

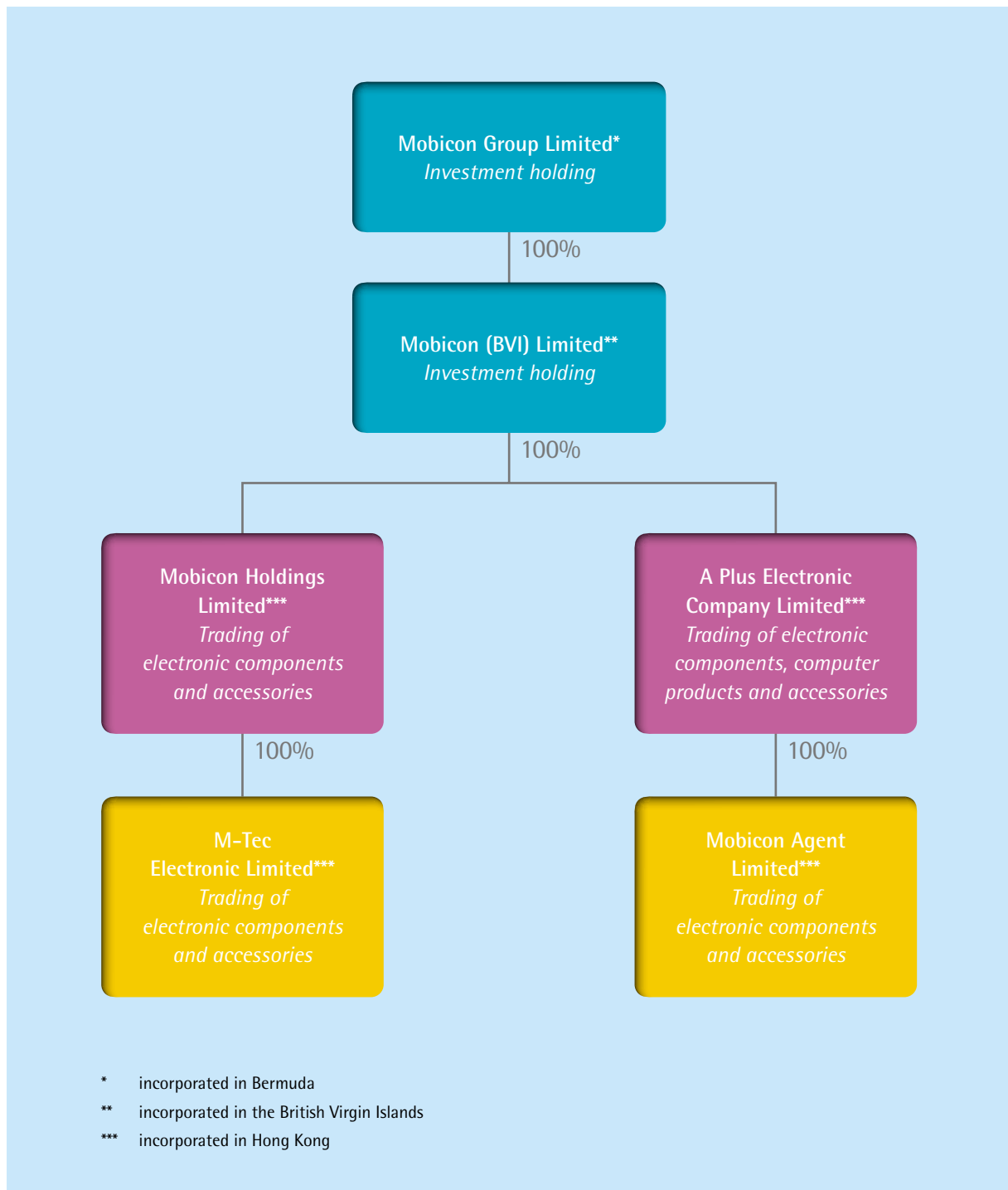
Bermuda principal share registrar

Butterfield Corporate Services Limited
 Rosebank Centre
 11 Bermudiana Road
 Pembroke
 Bermuda

Company homepage/website

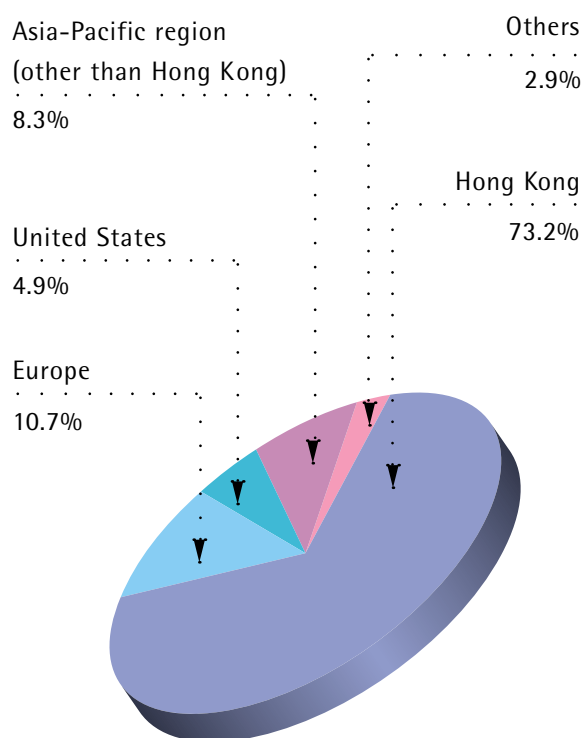
<http://www.mobicon.com>

GROUP STRUCTURE

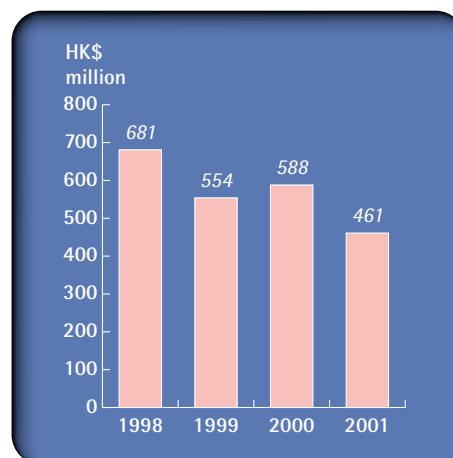


FINANCIAL HIGHLIGHTS

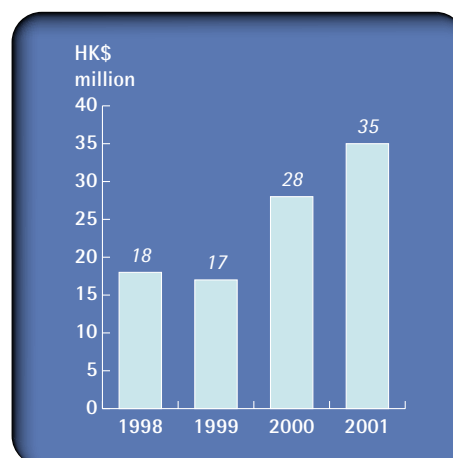
Turnover by Geographical Region by percentage



Turnover



Net Profit Attributable to Shareholders



Major Financial Indicators and Ratios

	2001	2000	1999	1998
Gearing Ratio	0	0	0	0
Inventory Turnover Period	49 days	27 days	21 days	14 days
Account Receivable Turnover Period	21 days	16 days	15 days	11 days
Earnings Per Share	HK\$0.24	HK\$0.19	HK\$0.11	HK\$0.12
Net Assets	HK\$67 million	HK\$145 million	HK\$118 million	HK\$101 million

CHAIRMAN'S STATEMENT

Introduction



Mobicon Group Limited ("the Group" or "Mobicon") was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 7 May 2001, making it among the first electronic components trading companies to be listed on the Hong Kong stock market. This annual report, for the financial year ended 31 March 2001, is the first to be produced since the listing. During the period, the Group recorded a net profit of 35 million, representing a substantial increase of approximately 25% in comparison with last year. This encouraging result surely marks an excellent beginning for the Group's development as a listed company.



Business Results



The Group's 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 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 per share of HK\$0.24.

CHAIRMAN'S STATEMENT

Market Positioning and Development Strategy

Market Positioning and Competitive Edge

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. Mobicon's personalised and value-added purchasing service is in line with the Group's motto "we grow together".

Over the previous eighteen years, Mobicon has laid a strong foundation for its business. The Group has built up a massive customer base covering over 3,000 customers around the world and has established close business relationships with more than 800 suppliers, forming an extensive network which gives the Group a competitive edge in both purchasing and price bargaining. The Group's extensive range of trading services has gained wide acceptance in the market.

Development Strategy

The Group has been employing a "Satellite Development Strategy" to reinforce and expand its market worldwide through forming strategic alliances with local SMEs that show good potential and leveraging their market position by offering financial, management and marketing support so as to achieve mutual advantage. The Group's listing has helped to maximise the benefits of this strategy by strengthening Mobicon's corporate image, which is advantageous for future acquisitions and for building up closer relationships with suppliers in order to accelerate business development.

CHAIRMAN'S STATEMENT

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 the 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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 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 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, 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 local 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 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 in June 2001 to offer Micro Control Unit (MCU) solutions targeting at the intelligent electrical appliances market.

Marketing and Promotion Strategy

The Group has traditionally published product catalogues giving detailed information and specifications of products distributed by the Group, arranged by product category. These have proved to be a convenient channel for introducing electronics products to the global market. Following its "Instrument Handbook", the Group has introduced an "Office Handbook" in May 2001, and has built up an online "Office Yellow Pages" (www.pcoffice.com.hk) so that customers around the world can check the price and details of Mobicon's thousands of software and hardware items at any time

MANAGEMENT DISCUSSION AND ANALYSIS

Back-End Support

In parallel with Mobicon's development strategy, the Group has improved its logistics support. Apart from enlarging its existing office by 2,400 square feet, the Group has also rented a 10,000 square feet warehouse to centralise its inventory management.

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.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

Directors

Executive Directors

Hung Kim Fung, Measure, aged 40, is the founder of the Group and the Chairman of the Company. He has about 20 years of experience in the electronics industry. Mr. Hung is responsible for the Group's strategic planning and corporate policies. He joined the Hong Kong Electronic Industries Association Limited ("HKEIA") as an Executive Committee member in 1995. In 1997–1999, Mr. Hung was nominated vice-chairman of the China Affair Sub-Committee of HKEIA. In 1999–2001, Mr. Hung was nominated vice-chairman of the Promotions and Membership Sub-committee of HKEIA.

Yeung Man Yi, Beryl, aged 39, is the founder of the Group and the Deputy Chairman of the Company. Ms. Yeung is responsible for the Group's finance, administration and internal control. She has over 20 years of experience in the electronics industry. She is the wife of Mr. Hung Kim Fung, Measure.

Hung Ying Fung, aged 37, is the founder of the Group and an executive Director. He is responsible for the management and the business development of the Group and has over 15 years of experience in the electronics industry. In March 2001, he was nominated as the director of the Chamber of Hong Kong Computer Industry Company Limited. He is the brother of Mr. Hung Kim Fung, Measure.

Yeung Kwok Leung, Allix, aged 38, is the founder of the Group and an executive Director. Mr. Yeung is responsible for the management and business development of the retail business of the Group. He has over 15 years of experience in the electronics and computer industry. He is the brother of Ms. Yeung Man Yi, Beryl.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

Directors *(Continued)*

Non-executive Directors

Charles E. Chapman, aged 52, is an independent non-executive director of the Company. He joined the HKEIA as Executive Director in May 1988 and is also the Managing Director of the Association's subsidiary publishing company, the Hong Kong Electronics Promotions Ltd. which published the annual "Directory of Hong Kong Electronics Industry". Prior to joining HKEIA, Mr. Chapman worked for 11 years as Economics Editor at the Hong Kong Trade Development Centre and for eight years as Business Editor in a local English-language newspaper.

Leung Wai Cheung, aged 36, is currently the executive director and chief financial officer of FlexSystem Holdings Limited, a company listed in Hong Kong. Mr. Leung is a qualified accountant and chartered secretary with over 14 years of experience in accounting, auditing and financial management. He graduated from Curtin University with a Bachelor of Commerce degree majoring in accounting and subsequently obtained a postgraduate diploma in corporate administration and Master of Professional Accounting from the Hong Kong Polytechnic University. He is an associate member of each of the Hong Kong Society of Accountants, Australian Society of Certified Practising Accountants, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute Secretaries and The Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants. Mr. Leung is also a visiting lecturer of the Open University of Hong Kong and is one of the founding members of IT Accountants Association in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

Senior Management

Cheung Chiu Hing, Marcel, aged 41, is the head of the Group's marketing division. Mr. Cheung is mainly responsible for sourcing new products for the Group from Taiwan. He joined the Group in May 1996 and has over 14 years of experience in the sales of electronic components used in toy and watch industries.

Tam Kwok Wai, Lawrence, aged 41, is the head of the Group's technical division and procurement and product development team. Mr. Tam graduated from Hong Kong Polytechnic with higher certificate in electronic engineering. Mr. Tam joined the Group in January 1992 and has over 7 years' experience in consumer products design and 10 years experience in sales and marketing of electronic components business. He is responsible for creating and developing new product lines.

Yeung Kin Kwan, Alvan, aged 33, is the financial controller of the Group and the company secretary of the Company. He is responsible for the financial management and the company secretarial functions of the Group. Mr. Yeung holds a professional diploma in accountancy from the Hong Kong Polytechnic University. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants and the Taxation Institute of Hong Kong. He joined the Group in September 2000 and has over 10 years of experience in auditing, accounting, taxation and financial management.

Fan Suk Han, aged 40, is the accounting manager of the Group. Ms. Fan joined the Group in July 1995 and has over 10 years experience in accounting. She is responsible for the accounting function of the Group.

Wan Lam Keng, Winnie, aged 37, is the senior business manager of the Group. Ms. Wan joined the Group in June 1988 and has over 17 years' experience in retailing and trading business. She is responsible for the Group's Urgent Requirement Service division. She is the wife of Mr. Yeung Kwok Leung, Allix.

Lee Yiu Kong, Winson, aged 41, is the senior business manager of the Group. Before he joined the Group in June 1991, he had over 12 years' experience in customer service in the banking industry. He is responsible for the sales and marketing of the electronic components of the Group.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

Senior Management (Continued)

Li Yiu Leung, Franky, aged 34, is the senior business manager of the Group. Mr. Lee graduated from the University of Western Ontario with a bachelor degree in electronic engineering. Before he joined the Group in April 2000, he had over 10 years experience in manufacturing, engineering and sales and marketing in various industries. He is responsible for the business development of the Group.

Kong Mei Ling, aged 36, is the business manager of the Group. Ms. Kong has over 11 years' experience in business administration of various industries. Ms. Kong joined the Group in January 1993 and is responsible for the overseas business development.

Chong Lai Chun, aged 37, is the export manager of the Group. Ms. Chong joined the Group in January 1993 and has over 8 years' experience in computer field. She is responsible for the oversea business development in DRAM and CPU section.

Choi Yiu Keung, aged 28, is the sales manager of the Group. Mr. Choi joined the Group in November 1993. He has over 7 years' experience in the electronic components retail business and providing customer-oriented logistic services to the customers. He is responsible for the sales and marketing of the equipment products of the Group.

Lam Yin Ching, aged 32, is the assistant purchasing manager of the Group. Ms. Lam has over 11 years of experience in the electronics industry. She joined the Group in May 1996 and is responsible for the purchasing of semi-conductors of the Group.

Tse Chun Wah, aged 43, is the senior electronic engineer of the Group. Mr. Tse graduated from Hong Kong Polytechnic with a higher certificate in electronic engineering. Before he joined the Group in January 1999, he worked for a number of companies as senior production and quality control engineer. He is responsible for the product quality control of the Group.

Tse Siu Kit, aged 27, is the assistant sales manager of the Group. Mr. Tse has 4 years' experience in trading business and 5 years sales experience in electronic toys industry. He joined the Group in May 1995.

REPORT OF THE DIRECTORS

(Amount expressed in Hong Kong dollars)

The Directors are pleased to present their first annual report together with the audited financial statements of Mobicon Group Limited ("the Company") and the combined financial statements of the Company and other companies comprising the group (collectively referred to as "the Group") for the year ended 31 March 2001.

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 \$100,000 divided into 1,000,000 shares of \$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 Group on 18 April 2001.

On 7 May 2001, pursuant to the Company's initial public offering exercise, the shares of the Company were 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 in this annual report as if the aforementioned group reorganisation has been completed throughout the two years ended 31 March 2000 and 2001. Please refer to Note 1 to the combined financial statements for the basis of presentation and details of the group reorganisation. The financial information referred to in this report was extracted from the combined financial statements.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in trading of electronic components and computer products and accessories.

REPORT OF THE DIRECTORS

(Amount expressed in Hong Kong dollars)

Principal Activities (Continued)

The Group's combined turnover by principal activity and by geographical location, together with their respective contributions to profit (loss) before taxation for the year ended 31 March 2001 is analysed as follows:

	2001	
	Turnover \$'000	Profit (loss) before taxation \$'000
a. By principal activity –		
Sales of merchandise		
– electronic components and accessories	335,959	43,328
– computer products and accessories	124,967	(1,054)
	460,926	42,274
Interest income from bank deposits		823
		43,097
		Turnover \$'000
b. By geographical location – *		
Hong Kong		337,283
Europe		49,280
America		22,615
Asia Pacific (other than Hong Kong)		38,223
Others		13,525
		460,926

* Combined 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) before taxation by geographical location is presented as it is generally in line with the distribution of turnover as set out above.

REPORT OF THE DIRECTORS

(Amount expressed in Hong Kong dollars)

Customers and Suppliers

For the year ended 31 March 2001, the five largest customers of the Group accounted for approximately 14.2% of the Group's total turnover and the five largest suppliers of the Group accounted for approximately 31.5% of the Group's total purchases. In addition, the largest customer of the Group accounted for approximately 5.7% of the Group's turnover while the largest supplier of the Group accounted for approximately 11.4% of the Group's total purchases.

None of the directors, their respective associates or any shareholders which, to the knowledge of the Company's directors ("the Directors"), owned more than 5% of the Company's issued share capital had a beneficial interest in any of the Group's five largest customers and suppliers for the year ended 31 March 2001.

Results and Appropriations

Details of the Group's combined results for the year ended 31 March 2001 are set out in the combined income statement on page 32 of this annual report.

During the year, three former group companies declared dividends totalling approximately \$113,517,000 to the then shareholders who are also the directors of the Company. The Directors do not recommend the payment of a final dividend.

Share Capital

Details of share capital of the Company are set out in Note 4 to the balance sheet.

Distributable Reserves

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

Fixed Assets

Details of movements in fixed assets during the year are set out in Note 10 to the combined financial statements.

REPORT OF THE DIRECTORS

(Amount expressed in Hong Kong dollars)

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws in Bermuda.

Retirement Schemes

Details of the retirement schemes are set out in Note 19 to the combined financial statements.

Subsequent Events

Details of the significant subsequent events are set out in Note 20 to the combined financial statements.

Directors

The Directors who held office during the year and up to the date of this report are:

Executive Directors

Hung Kim Fung, Measure (<i>Chairman</i>)	(Appointed on 30 January 2001)
Yeung Man Yi, Beryl (<i>Deputy Chairman</i>)	(Appointed on 30 January 2001)
Hung Ying Fung	(Appointed on 30 January 2001)
Yeung Kwok Leung, Allix	(Appointed on 30 January 2001)

Independent non-executive Directors

Charles E. Chapman	(Appointed on 18 April 2001)
Leung Wai Cheung	(Appointed on 18 April 2001)

Mr. Charles E. Chapman and Mr. Leung Wai Cheung will retire by rotation in accordance with Clause 111 (A) of the Company's Bye-laws and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. All other remaining Directors continue in office.

REPORT OF THE DIRECTORS

(Amount expressed in Hong Kong dollars)

Directors' Service Contracts

Each of the executive Directors of the Company has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 April 2001, and will continue thereafter until terminated by not less than three months' notice in writing served by either party to the other, which notice shall not expire until after the fixed term.

Save as disclosed above, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not terminable by the employing company within one year without payment of compensation other than statutory compensation.

Directors' Interests in Shares

As at 31 March 2001, the Company had no notice of any interests to be recorded under Section 29 of the Securities (Disclosure of Interests) Ordinance ("the SDI ordinance") as the Company had not been listed on the Stock Exchange as at that date.

Upon listing of the Company's shares on the Stock Exchange on 7 May 2001 and up to the date of this report, the Directors had the following interests in the shares of the Company and its subsidiaries within the meaning of the SDI Ordinance, as recorded in the Register of Directors' Interests required to be kept by the Company pursuant to Section 29 of the SDI Ordinance:

(i) The Company

Director	Corporate interest	Personal interest	Other interests	Total interest
Mr. Hung Kim Fung, Measure	–	–	90,000,000 <i>(Note 1)</i>	90,000,000
Ms. Yeung Man Yi, Beryl	–	–	90,000,000 <i>(Note 1)</i>	90,000,000
Mr. Hung Ying Fung	–	30,000,000	–	30,000,000
Mr. Yeung Kwok Leung, Allix	–	–	30,000,000 <i>(Note 2)</i>	30,000,000

REPORT OF THE DIRECTORS

(Amount expressed in Hong Kong dollars)

Directors' Interests in Shares *(Continued)*

(i) The Company *(Continued)*

Notes:

1. 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, and are ultimately held by Trident Trust Company (Cayman) Limited as trustee for the benefit of and upon trust for the Measure & Beryl Trust, which is a discretionary trust.
2. 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, and are ultimately held by Trident Trust Company (Cayman) Limited as trustee for the benefit of and upon trust for the Trinity Trust, which is a discretionary trust.

(ii) Subsidiary – A Plus Electronic Company Limited (“A Plus”)

Each of Mr. Hung Kim Fung, Measure, Ms. Yeung Man Yi, Beryl, Mr. Hung Ying Fung and Mr. Yeung Kwok Leung, Allix have beneficial interests in their personal capacity in the following number of non-voting deferred shares in A Plus:

Name	Number of non-voting deferred shares
Mr. Hung Kim Fung, Measure	300,000 shares of \$1.00 each
Ms. Yeung Man Yi, Beryl	300,000 shares of \$1.00 each
Mr. Hung Ying Fung	200,000 shares of \$1.00 each
Mr. Yeung Kwok Leung, Allix	200,000 shares of \$1.00 each

Save as disclosed above, the Company had no notice of any interests required to be recorded under Section 29 of the SDI Ordinance.

REPORT OF THE DIRECTORS

(Amount expressed in Hong Kong dollars)

Directors' Rights to Acquire Shares or Debenture

Under the terms of the Company's share option scheme approved by the shareholders on 18 April 2001, the Board of Directors may, at their discretion, invite any employee of the Company or any of the group companies, including any executive Directors, to take up options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company. The scheme became effective upon the listing of the Company's shares on 7 May 2001. No options have been granted to the Directors up to the date of this report.

Save as disclosed above, and other than the group reorganisation in preparation for the Company's listing of shares, at no time during the year was the Company or any of the companies comprising the group a party to any arrangements to enable any of the Directors or members of its management to acquire benefits by means of the acquisition of shares in, or debenture of the Company or any other body corporate.

Directors' Interests in Contracts

No contract of significance in relation to the Group's business to which the Company or any of the companies comprising the Group was a party and in which any of the Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

(Amount expressed in Hong Kong dollars)

Substantial Shareholders

As at 31 March 2001, the Company had no notice of any interests to be recorded under Section 16(1) of the SDI Ordinance as the Company had not been listed on the Stock Exchange as at that date.

Upon listing of the Company's shares on the Stock Exchange, according to the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance, those shareholders having an interest of 10% or more of the issued share capital of the Company are as follows:

Name	Number of Shares	Approximate percentage of issued shares
M2B Holding Limited	90,000,000	45%
Mr. Hung Ying Fung	30,000,000	15%
Bestmark Management Limited	30,000,000	15%

Save as disclosed above, the Company had no notice of any interests to be recorded under Section 16(1) of the SDI Ordinance.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

REPORT OF THE DIRECTORS

(Amount expressed in Hong Kong dollars)

Connected Transactions

Certain related party transactions disclosed in Note 3 to the accompanying combined financial statements constituted connected transactions under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules"). Details of such connected transactions are as follows:

M-Bar Limited ("M-Bar") is owned as to 30% by Mr. Hung Kim Fung, Measure, 30% by Ms. Yeung Man Yi, Beryl, 20% by Mr. Hung Ying Fung and 20% by Mr. Yeung Kwok Leung, Allix, directors of the Company, and is principally engaged in property holding.

During the year, the Group paid rental expenses amounting to \$462,000 and \$80,000 to M-Bar, and Mr. Hung Kim Fung, Measure and Ms. Yeung Man Yi, Beryl, respectively.

These transactions are of a recurring nature and would continue after the listing of the shares of the Company on the Stock Exchange. The Directors consider these transactions have been conducted in the ordinary and usual course of business of the Group on normal commercial terms and continuation of these transactions in the future will be beneficial to the Group.

Code of Best Practice

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules since 7 May 2001, except that the independent non-executive Directors have not been appointed for specific term but are subject to retirement by rotation and re-election at the annual general meetings in accordance with the Company's Bye-laws.

Audit Committee

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

REPORT OF THE DIRECTORS

(Amount expressed in Hong Kong dollars)

Auditors

The accompanying financial statements were audited by Messrs. Arthur Andersen & Co. A resolution for their re-appointment as the Company's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors

Hung Kim Fung, Measure

Chairman

Hong Kong,
17 July 2001.

REPORT OF THE AUDITORS



ARTHUR ANDERSEN

Arthur Andersen & Co

21st Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Auditors' Report to the Shareholders of
MOBICON GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the balance sheet on pages 27 to 30 of Mobicon Group Limited ("the company"), which has been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The directors of the company are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the balance sheet gives a true and fair view of the state of affairs of the company as at 31 March 2001 and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ARTHUR ANDERSEN & CO
Certified Public Accountants

Hong Kong,
17 July 2001.

COMBINED BALANCE SHEET

As at 31 March 2001

(Expressed in Hong Kong dollars)

	<i>Note</i>	2001 \$'000	2000 \$'000
NON-CURRENT ASSETS			
Fixed assets	10	1,168	1,183
CURRENT ASSETS			
Inventories	12	57,588	47,431
Accounts receivable	13	24,052	28,713
Prepayment, deposits and other receivables	3	5,975	861
Due from directors	3	–	82,352
Cash and bank deposits		45,874	25,079
Total current assets		133,489	184,436
CURRENT LIABILITIES			
Accounts payable	14	(17,889)	(25,782)
Accruals and other payable		(8,444)	(6,544)
Due to directors	3	(9,946)	–
Taxation payable		(1,545)	(5,330)
Dividend payable		(28,772)	–
Total current liabilities		(66,596)	(37,656)
Net current assets		66,893	146,780
Total assets less current liabilities		68,061	147,963
NON-CURRENT LIABILITIES			
Deferred taxation	15	–	(221)
MINORITY INTERESTS		(765)	(2,300)
Net assets		67,296	145,442
Representing:			
SHARE CAPITAL	16	1,000	1,000
RETAINED PROFIT		66,296	144,442
Shareholders' equity		67,296	145,442

Approved by the Board of Directors on 17 July 2001:

HUNG KIM FUNG, MEASURE
Chairman

YEUNG MAN YI, BERYL
Deputy Chairman

NOTES TO THE BALANCE SHEET

(Amounts expressed in Hong Kong dollars)

1. Organisation and Operation

The Company was incorporated in Bermuda on 11 January 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda.

The Company is an investment holding company. During the period from 11 January 2001 (date of incorporation) to 31 March 2001 ("the period"), the Company has remained inactive and accordingly, no results of operation were presented for the Company during the period.

2. Principal Accounting Policies

The balance sheet has been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The balance sheet has been prepared on the historical cost basis.

3. 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. During the period, auditors' remuneration of the Company was borne by a related company.

4. Share Capital

As at 31 March 2001, the authorised share capital of the Company was \$100,000 divided into 1,000,000 shares of \$0.10 each, all of which were allotted on 30 January 2001 and nil paid up.

NOTES TO THE BALANCE SHEET

(Amounts expressed in Hong Kong dollars)

5. Subsequent Events

Subsequent to 31 March 2001, the Group completed the reorganisation ("the Reorganisation") in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). Since 7 May 2001, the Company's shares have been listed on the Stock Exchange. Details of the Reorganisation are as follows:

- a. On 18 April 2001, the authorised share capital of the Company was increased from \$100,000 to \$200,000,000 by the creation of a further 1,999,000,000 shares of \$0.10 each, ranking pari passu with the existing share capital of the Company.
- b. On 18 April 2001, the Company acquired the entire issued share capital of Mobicon (BVI) Limited, intermediate holding company, the consideration of which comprised (i) issue of 1,000,000 shares of \$0.10 each credited as fully paid up by the Company, and (ii) credited as fully paid up of the 1,000,000 shares issued on 30 January 2001.
- c. On 18 April 2001, 148,000,000 shares of \$0.10 each were allotted as fully paid at par to the holders of the shares on the register of members of the Company, in proportion to their respective shareholdings as at the close of business on 18 April 2001, by way of the capitalisation of share premium amounting to \$14,800,000, conditional on the share premium account being credited as a result of the issue of new shares to the public as detailed in (d) below.
- d. On 3 May 2001, 50,000,000 shares of \$0.10 each were issued to the public at \$1.00 each resulting in total cash proceeds of \$50,000,000.

NOTES TO THE BALANCE SHEET

(Amounts expressed in Hong Kong dollars)

5. Subsequent Events (Continued)

A summary of the above movements in the issued share capital of the Company is as follows:

	Note	Number of shares issued '000	Par value \$'000
Shares allotted and issued nil paid upon incorporation and as at 31 March 2001		1,000	–
Shares issued as consideration for the acquisition of the entire issued share capital of Mobicon (BVI) Limited	(b)	1,000	100
Credited as fully paid up as consideration for the acquisition of the entire issued share capital of Mobicon (BVI) Limited	(b)	–	100
Capitalisation of the share premium account	(c)	148,000	14,800
New issue on public listing	(d)	50,000	5,000
		200,000	20,000

- e. On 18 April 2001, the Company approved a share option scheme under which the Directors may, at its discretion, invite any employees of the Company or any of its subsidiaries, including any executive directors, to take up options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company. The subscription price will be determined by the Company's Board of Directors and will be the higher of (i) the nominal value of the shares, or (ii) 80% of the average of the quoted closing price of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the options. The scheme became effective upon the listing of the Company's shares on 7 May 2001. No options have been granted up to the date of approval of the accompanying balance sheet.

REPORT OF THE AUDITORS



ARTHUR ANDERSEN

Arthur Andersen & Co

21st Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Auditors' Report to the Shareholders of
MOBICON GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the combined financial statements on pages 32 to 54 of Mobicon Group Limited ("the company") and the companies described in Note 1 to the combined financial statements (collectively referred to as "the group"), which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The directors of the company are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the combined financial statements give a true and fair view of the state of affairs of the group as at 31 March 2001 and of the profit and cash flows of the group for the year then ended, and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ARTHUR ANDERSEN & CO
Certified Public Accountants

Hong Kong,
17 July 2001.

COMBINED INCOME STATEMENT

For the year ended 31 March 2001

(Expressed in Hong Kong dollars)

	<i>Note</i>	2001 \$'000	2000 \$'000
Turnover	4	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	3	(28,139)	(25,390)
Profit from operations		42,274	33,961
Interest income	4	823	495
Profit before taxation	5	43,097	34,456
Taxation	7	(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	8	(113,517)	–
Retained profit, end of year		66,296	144,442
Earnings per share – Basic	9	\$0.24	\$0.19

A separate combined statement of recognised gains and losses is not presented because there were no recognised gains or losses other than the profit attributable to shareholders.

COMBINED BALANCE SHEET

As at 31 March 2001

(Expressed in Hong Kong dollars)

	<i>Note</i>	2001 \$'000	2000 \$'000
NON-CURRENT ASSETS			
Fixed assets	10	1,168	1,183
CURRENT ASSETS			
Inventories	12	57,588	47,431
Accounts receivable	13	24,052	28,713
Prepayment, deposits and other receivables	3	5,975	861
Due from directors	3	–	82,352
Cash and bank deposits		45,874	25,079
Total current assets		133,489	184,436
CURRENT LIABILITIES			
Accounts payable	14	(17,889)	(25,782)
Accruals and other payable		(8,444)	(6,544)
Due to directors	3	(9,946)	–
Taxation payable		(1,545)	(5,330)
Dividend payable		(28,772)	–
Total current liabilities		(66,596)	(37,656)
Net current assets		66,893	146,780
Total assets less current liabilities		68,061	147,963
NON-CURRENT LIABILITIES			
Deferred taxation	15	–	(221)
MINORITY INTERESTS		(765)	(2,300)
Net assets		67,296	145,442
Representing:			
SHARE CAPITAL	16	1,000	1,000
RETAINED PROFIT		66,296	144,442
Shareholders' equity		67,296	145,442

Approved by the Board of Directors on 17 July 2001:

HUNG KIM FUNG, MEASURE
Chairman

YEUNG MAN YI, BERYL
Deputy Chairman

COMBINED CASH FLOW STATEMENT

For the year ended 31 March 2001

(Expressed in Hong Kong dollars)

	<i>Note</i>	2001	2000
		\$'000	\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	<i>17.a</i>	26,740	19,991
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		823	495
Dividends paid		(1,250)	-
		(427)	495
TAXATION			
Hong Kong profits tax paid		(10,107)	(2,730)
INVESTING ACTIVITIES			
Purchase of fixed assets		(1,094)	(714)
Proceeds from disposal of fixed assets		40	-
Disposal of investment in a subsidiary		-	4
Increase in due from directors		-	(8,389)
		(1,054)	(9,099)
Net cash inflow before financing		15,152	8,657
FINANCING			
Advance from directors		5,643	-
INCREASE IN CASH AND BANK DEPOSITS		20,795	8,657
CASH AND BANK DEPOSITS, beginning of year		25,079	16,422
CASH AND BANK DEPOSITS, end of year		45,874	25,079

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. Group Reorganisation, Operations and Basis of Presentation

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

Pursuant to a group reorganisation scheme in preparation for the listing of the Company's shares on the Stock Exchange ("the Reorganisation"), the Company became the holding company of the companies comprising the group (collectively referred to as "the Group") on 18 April 2001. The group reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the reorganisation are regarded as a continuing group.

The Trading Division of Mobicon Electronic Supplies Company Limited ("MESC – Trading Division") was engaged in trading of electronic components and computer products and accessories. Mobicon Electronic Supplies Company Limited was wholly-owned by Mr. Hung Kim Fung, Measure, Ms. Yeung Man Yi, Beryl, Mr. Hung Ying Fung and Mr. Yeung Kwok Leung, Allix, all being directors and substantial shareholders of the Company. As part of the Reorganisation, the assets, liabilities and businesses of MESC – Trading Division were transferred to Mobicon Holdings Limited, a wholly-owned subsidiary of the Company, effective from 1 November 2000 and thereafter Mobicon Electronic Supplies Company Limited ceased its business operations.

The accompanying combined financial statements include the results of operations of the Company and its subsidiaries as if the group structure resulting from the Reorganisation executed on 18 April 2001 had been in existence throughout the years ended 31 March 2000 and 2001 or since the dates of incorporation of the respective group companies where these were of a shorter period, together with the results of operations of MESC – Trading Division during the same period; and the assets and liabilities of the Group as at those dates as if the group structure resulting from the Reorganisation had been in existence as at 31 March 2000 and 2001, together with the assets and liabilities of MESC – Trading Division as at the same date.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. Principal Accounting Policies

The combined financial statements have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Principal accounting policies are summarised below:

a. Basis of measurement

The combined financial statements have been prepared on the historical cost basis.

b. Turnover and revenue recognition

Turnover represents the invoiced value of merchandise sold, after allowances for returns and discounts.

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the group. Sales revenue is recognised when the merchandise is shipped and title has passed. Interest income is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

c. Taxation

Individual companies within the group provide for profits tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

Deferred taxation is provided under the liability method in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except when it is considered that no liability will arise in the foreseeable future. Deferred tax assets are not recognised unless the related benefits are expected to crystallise in the foreseeable future.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. Principal Accounting Policies *(Continued)*

d. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Major expenditures on modifications and betterments of fixed assets which will result in future economic benefits are capitalised, while expenditures on maintenance and repairs are expensed when incurred. Depreciation for fixed assets is provided on a straight-line basis to write off the cost of each asset over its estimated useful life. The annual rates of depreciation are as follows:

Furniture and fixtures	25%
Office equipment	25%
Motor vehicles	25%

Management assesses the recoverability of the carrying amounts of fixed assets periodically. When the recoverable amounts of fixed assets have declined below the carrying amounts, the carrying amounts are reduced to the recoverable amounts with the difference charged to the income statement. In determining the recoverable amount of fixed assets, expected future cash flows are not discounted to their present values.

Gains and losses on disposals of fixed assets are recognised in the income statement based on the net disposal proceeds less the then carrying amount of the assets.

e. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method of costing and includes all costs incurred in bringing the goods to their present location and condition. Net realisable value is based on estimated normal selling prices in the ordinary course of business, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. Principal Accounting Policies *(Continued)*

f. Operating leases

Operating leases represent those leases under which substantially all the rewards and risks of ownership of the leased assets remain with the lessors. Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the relevant leases.

g. Employee retirement benefits

The costs of employee retirement benefits are recognised as an expense in the period in which they are incurred.

h. Foreign currency translation

Individual companies within the group maintain their books and records in Hong Kong dollars. In the accounts of the individual companies, transactions in other currencies during the year are translated into Hong Kong dollars at the applicable rates of exchange prevailing at the time of the transactions; monetary assets and liabilities denominated in other currencies are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date. Exchange gains or losses are dealt with in the income statements of the individual companies.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

3. 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.

Particulars of significant transactions and balances between the Group and related parties are:

	2001 \$'000	2000 \$'000
Sales to PCUSER Limited ("PCUSER") (a)	3,757	388
Rental expense paid to:		
– M-Bar Limited (b)	462	–
– Mr. Hung Kim Fung, Measure and Ms. Yeung Man Yi, Beryl	80	–
Rental deposits paid to:		
– M-Bar Limited (b)	462	–
– Mr. Hung Kim Fung, Measure and Ms. Yeung Man Yi, Beryl	80	–

- (a) PCUSER was beneficially owned by Mr. Hung Kim Fung, Measure, Ms. Yeung Man Yi, Beryl, Mr. Hung Ying Fung and Mr. Yeung Kwok Leung, Allix, directors of the Company. On 1 February 2001, the four directors disposed of their entire shareholding interest in PCUSER to an independent third party.
- (b) M-Bar Limited is a wholly-owned subsidiary of Mobicon Electronic Supplies Company Limited, a company beneficially owned by Mr. Hung Kim Fung, Measure, Ms. Yeung Man Yi, Beryl, Mr. Hung Ying Fung and Mr. Yeung Kwok Leung, Allix, directors of the Company.

In the opinion of the Directors, the above transactions were entered into in the ordinary and usual course of business of the Group and were priced in accordance with the terms of the agreements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

3. Related Party Transactions *(Continued)*

The balances with directors were unsecured and non-interest bearing. Details of the amount due from (to) directors are as follows:

Name of company	2001	2000	Maximum
	\$'000	\$'000	debit balance outstanding during the year \$'000
Mr. Hung Kim Fung, Measure	(3,360)	35,726	35,726
Ms. Yeung Man Yi, Beryl	(2,108)	33,470	33,470
Mr. Hung Ying Fung	(2,239)	6,578	8,408
Mr. Yeung Kwok Leung, Allix	(2,239)	6,578	8,408
	<u>(9,946)</u>	<u>82,352</u>	

4. Turnover and Revenue and Segmental Information

Turnover and revenue in the combined income statement consist of:

	2001	2000
	\$'000	\$'000
Turnover – sales of merchandise	460,926	588,172
Interest income from bank deposits	823	495
Total revenue	<u>461,749</u>	<u>588,667</u>

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

4. Turnover and Revenue and Segmental Information *(Continued)*

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

	2001		2000	
	Turnover	Profit (loss) before taxation	Turnover	Profit before taxation
	\$'000	\$'000	\$'000	\$'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
	<u>460,926</u>	<u>42,274</u>	<u>588,172</u>	<u>33,961</u>
Interest income from bank deposits		<u>823</u>		<u>495</u>
		<u>43,097</u>		<u>34,456</u>

Analysis of turnover by geographical location is as follows (a):

	2001	2000
	\$'000	\$'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
	<u>460,926</u>	<u>588,172</u>

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

4. Turnover and Revenue and Segmental Information *(Continued)*

Note:

- (a) 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) before taxation by geographical location is presented as it is generally in line with the distribution of turnover as set out above.

5. Profit Before Taxation

Profit before taxation is determined after charging and crediting the following:

	2001	2000
	\$'000	\$'000
After charging –		
Employment costs (including directors' emoluments)	19,066	18,451
Bad debt expense	–	301
Provision for obsolete and slow-moving inventories	–	651
Depreciation of fixed assets	1,109	723
Operating lease rentals of rented premises	1,047	246
Auditors' remuneration	681	495
After crediting –		
Interest income on bank deposits	823	495
Net gain on disposal of fixed assets	40	–
Net exchange gain	44	276

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

6. Directors' and Senior Executives' Emoluments

Details of directors' emoluments are:

	2001	2000
	\$'000	\$'000
Fees	–	–
Other emoluments		
– Basic salaries and allowances	4,225	4,225
– Contributions to mandatory provident fund	16	–
	4,241	4,225

No directors waived any emoluments during the year. No incentive payment for joining the group or compensation for loss of office was paid or payable to any director during the year.

The number of directors whose remuneration fall within the following bands is as follows:

	2001	2000
Nil to \$1,000,000	2	2
\$1,000,001 to \$1,500,000	2	2
	4	4

Out of the five highest paid individuals, four (2000 – four) of them are directors of the Group, whose emoluments have been disclosed above. Details of emoluments paid to the remaining highest paid individual are:

	2001	2000
	\$'000	\$'000
Basic salaries, allowances and retirement benefits	406	398
Bonuses	–	225
	406	623

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

6. Directors' and Senior Executives' Emoluments (Continued)

During the year, no emoluments were paid to the one highest paid non-director individual as inducement to join or upon joining the Group or as compensation for loss of office.

The number of highest paid non-director individual whose remuneration falls within the following band is as follows:

	2001	2000
Nil to \$1,000,000	1	1

7. Taxation

Taxation consists of:

	2001 \$'000	2000 \$'000
Current taxation –		
Hong Kong profits tax	7,040	5,302
Overprovision in prior years	(718)	–
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% (2000 – 16%) on the estimated assessable profit arising in or derived from Hong Kong.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

8. Dividends

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

- (i) On 30 October 2000, MESC – Trading Division declared an interim dividend of approximately \$41,718,000 to the shareholders of Mobicon Electronic Supplies Company Limited, who are also directors of the Company, out of which approximately \$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 special dividend of \$67,059,000 to its then shareholders, who are also directors of the Company, out of which approximately \$52,537,000 was settled by offsetting balances due from 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 \$7,900,000 to its then shareholders.

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

9. 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 \$35,371,000 (2000 – \$27,823,000) and on the weighted average number of 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

10. Fixed Assets

Movements of fixed assets are:

	2001			2000	
	Furniture and fixtures \$'000	Office equipment \$'000	Motor vehicles \$'000	Total \$'000	Total \$'000
Cost					
Beginning of year	4,626	1,637	2,199	8,462	7,870
Additions	477	237	380	1,094	714
Disposal	-	-	(161)	(161)	(122)
End of year	5,103	1,874	2,418	9,395	8,462
Accumulated depreciation					
Beginning of year	4,212	1,176	1,891	7,279	6,678
Provision for the year	385	396	328	1,109	723
Disposal	-	-	(161)	(161)	(122)
End of year	4,597	1,572	2,058	8,227	7,279
Net book value					
End of year	506	302	360	1,168	1,183
Beginning of year	414	461	308	1,183	1,192

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

11. Subsidiaries

As at the date of this report, the details of the subsidiaries, all held indirectly by the Company (except for Mobicon (BVI) Limited) pursuant to the Reorganisation are as follows:

Name	Place and date of incorporation/ operations	Issued and fully paid share capital	Percentage of equity interest held	Principal activities
Mobicon (BVI) Limited ("MBVI")	British Virgin Islands 28 December 2000	US\$10,000	100%	Investment holding
Mobicon Holdings Limited ("MHL")	Hong Kong 9 October 2000	\$10	100%	Trading of electronic components and accessories
M-Tec Electronic Limited ("M-Tec") *	Hong Kong 9 January 1992	\$100,000	100%	Trading of electronic components and accessories
A Plus Electronic Company Limited ("A Plus")	Hong Kong 7 April 1993	\$1,000,100	100%	Trading of electronic components, computer products and accessories
Mobicon Agent Limited ("MAL") *	Hong Kong 18 February 1992	\$10,000	100%	Trading of electronic components and accessories

* During the year ended 31 March 2001, M-Tec and MAL were 40% and 30% owned by shareholders other than the four directors and substantial shareholders of the Company ("the Minority Shareholders"). Effective on 12 April 2001, the Group acquired the remaining 40% and 30% interests of M-Tec and MAL from the Minority Shareholders, respectively. Thereafter, M-Tec and MAL became wholly-owned subsidiaries of the Group.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

12. Inventories

Inventories, comprising electronic components and computer products and accessories held for trading purposes, consist of:

	2001	2000
	\$'000	\$'000
Inventories	64,684	56,215
Less: Provision for obsolete and slow-moving inventories	(7,096)	(8,784)
	57,588	47,431

The amount of inventories (included above) carried at net realisable value was approximately \$5,108,000 (2000 – \$10,152,000).

13. Accounts Receivable

The credit terms of the Group range from 14 to 60 days. The ageing analysis of accounts receivable is stated as follows:

	2001	2000
	\$'000	\$'000
0 to 60 days	22,011	26,636
61 to 120 days	1,292	1,619
121 to 180 days	715	451
181 to 365 days	34	7
	24,052	28,713

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

14. Accounts Payable

The credit terms of the Group range from 2 to 60 days. The ageing analysis of accounts payable is stated as follows:

	2001	2000
	\$'000	\$'000
0 to 60 days	17,430	25,025
61 to 120 days	273	621
121 to 180 days	19	62
181 to 365 days	167	74
	17,889	25,782

15. Deferred Taxation

Movements of deferred taxation are:

	2001	2000
	\$'000	\$'000
Beginning of year	221	-
Provision for the year	-	221
Write-back during the year	(221)	-
End of year	-	221

There was no significant unprovided deferred taxation as at 31 March 2001.

16. Share Capital

The share capital on the combined balance sheet represents the aggregate amount of the nominal value of the share capital of the companies comprising the Group as at that date.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

17. Notes To The Combined Cash Flow Statement

- a. Reconciliation of profit before taxation to net cash inflow from operating activities:

	2001	2000
	\$'000	\$'000
Profit before taxation	43,097	34,456
Interest income	(823)	(495)
Depreciation of fixed assets	1,109	723
Gain on disposal of fixed assets	(40)	–
Increase in inventories	(10,157)	(17,864)
Decrease (Increase) in accounts receivable	4,661	(6,744)
Increase in prepayment, deposits and other receivables	(5,114)	(473)
(Decrease) Increase in accounts payable	(7,893)	7,870
Increase in accruals and other payables	1,900	2,518
Net cash inflow from operating activities	26,740	19,991

- b. Major non-cash transactions –

- (i) On 30 October 2000, MESC – Trading Division declared an interim dividend of approximately \$41,718,000 to its then shareholders, who are also directors of the Company, out of which approximately \$34,118,000 was settled by offsetting balances due from directors.
- (ii) On 15 March 2001, A Plus declared a special dividend of \$67,059,000 to its then shareholders, who are also directors of the Company, out of which approximately \$52,537,000 of the dividend payable was settled by offsetting balances due from directors.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

18. Operating Lease Commitments

As at 31 March 2001, the Group had operating lease commitments in respect of rented premises under various non-cancellable operating lease agreements extending to January 2006. The amount of total commitments is analysed as follows:

	2001	2000
	\$'000	\$'000
Amounts payable		
– within one year	3,439	187
– more than one year but not exceeding two years	3,268	187
– more than two years but not exceeding five years	9,214	–
	15,921	374

The amount of commitments payable within the next twelve months is analysed as follows:

	2001	2000
	\$'000	\$'000
Leases expiring within a period		
– more than one year but not exceeding two years	187	–
– more than two years but not exceeding five years	3,252	187
	3,439	187

19. Retirement Schemes

The Group ("the employers") has arranged for its employees (including executive directors) provident funds under defined contribution schemes managed by an independent trustee. Both the employers and the employees make monthly contributions to the schemes at 5%, respectively of the employee's basic salary. The employees are entitled to receive 100% of the employers' contribution and the accrued interest thereon upon retirement or leaving the Group after completing 10 years of service or at a reduced scale of between 30% and 90% after completing 3 to 9 years of service. The forfeited contributions made by the Group and related accrued interest are used to reduce the employers' contribution.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

19. Retirement Schemes *(Continued)*

For the year ended 31 March 2001, the aggregate amount of the Group's contributions was approximately \$232,000 (2000 – \$266,000). The amount of forfeited contributions available to reduce the Group's employer contributions was approximately \$25,000 (2000 – \$46,000). As at 31 March 2001, there were no material forfeited contributions available to reduce the group's employer contribution payable in future periods.

Since 1 December 2000, the Group has arranged for its employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"). The MPF Scheme is a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its employees makes monthly contribution to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Each employee's contribution is subject to a cap of monthly earnings of \$20,000 and thereafter contributions are voluntary, while the employer's contribution is not subject to any earnings cap.

During the year ended 31 March 2001, the aggregate amount of employer's contribution made by the Group to the MPF Scheme was approximately \$466,000.

20. Subsequent Events

Subsequent to 31 March 2001, the following major transactions took place:

- a. On 12 April 2001, MHL and A Plus acquired the remaining 40% and 30% interest in M-Tec and MAL, respectively, at a total consideration of approximately \$531,000, to be settled in cash, as determined based on the net asset value of M-Tec and MAL as at 31 October 2000. Thereafter, M-Tec and MAL became wholly-owned by the Group.
- b. On 18 April 2001, the Group completed the Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange, details of which are as follows:
 - (i) The authorised share capital of the Company was increased from \$100,000 to \$200,000,000 by the creation of a further 1,999,000,000 shares of \$0.10 each, ranking pari passu with the existing share capital of the Company.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

20. Subsequent Events *(Continued)*

- (ii) The Company acquired the entire issued share capital of Mobicon (BVI) Limited, intermediate holding company, the consideration of which comprised (i) issue of 1,000,000 shares of \$0.10 each credited as fully paid up by the Company, and (ii) credited as fully paid up of the 1,000,000 shares issued on 30 January 2001.
- (iii) 148,000,000 shares of \$0.10 each were allotted as fully paid at par to the holders of the shares on the register of members of the Company, in proportion to their respective shareholdings as at the close of business on 18 April 2001, by way of the capitalisation of share premium amounting to \$14,800,000, conditional on the share premium account being credited as a result of the issue of new shares to the public as detailed in (iv) below.
- (iv) On 3 May 2001, 50,000,000 shares of \$0.10 each were issued to the public at \$1.00 each resulting in total cash proceeds of \$50,000,000.

A summary of the above movements in the issued share capital of the Company is as follows:

	<i>Note</i>	Number of shares issued '000	Par value \$'000
Shares allotted and issued nil paid upon incorporation and as at 31 March 2001		1,000	–
Shares issued as consideration for the acquisition of the entire issued share capital of Mobicon (BVI) Limited	<i>(ii)</i>	1,000	100
Credited as fully paid up as consideration for the acquisition of the entire issued share capital of Mobicon (BVI) Limited	<i>(ii)</i>	–	100
Capitalisation of the share premium account	<i>(iii)</i>	148,000	14,800
New issue on public listing	<i>(iv)</i>	50,000	5,000
		200,000	20,000

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

20. Subsequent Events *(Continued)*

- c. On 18 April 2001, the Company approved a share option scheme under which the Directors may, at its discretion, invite any employees of the Company or any of its subsidiaries, including any executive directors, to take up options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company. The subscription price will be determined by the Company's Board of Directors and will be the higher of (i) the nominal value of the shares, or (ii) 80% of the average of the quoted closing price of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the options. The scheme became effective upon the listing of the Company's shares on 7 May 2001. No options have been granted up to the date of approval of the accompanying combined financial statements.

FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

A summary of the published results and of the assets and liabilities of the Group for the last four financial years is set out below:

RESULTS

	Year ended 31 March			
	2001 \$'000	2000 \$'000	1999 \$'000	1998 \$'000
TURNOVER	460,926	588,172	553,643	681,164
PROFIT FROM OPERATIONS	42,274	33,961	19,771	21,525
Interest income	823	495	468	571
PROFIT BEFORE TAXATION	43,097	34,456	20,239	22,096
Taxation	(6,101)	(5,523)	(3,034)	(3,676)
PROFIT AFTER TAXATION BUT BEFORE MINORITY INTERESTS	36,996	28,933	17,205	18,420
Minority interests	(1,625)	(1,110)	(598)	(471)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	35,371	27,823	16,607	17,949

ASSETS AND LIABILITIES

	31 March			
	2001 \$'000	2000 \$'000	1999 \$'000	1998 \$'000
FIXED ASSETS	1,168	1,183	1,192	1,716
CURRENT ASSETS	133,489	184,436	142,309	119,909
CURRENT LIABILITIES	(66,596)	(37,656)	(24,696)	(20,025)
NET CURRENT ASSETS	66,893	146,780	117,613	99,884
TOTAL ASSETS LESS CURRENT LIABILITIES	68,061	147,963	118,805	101,600
DEFERRED TAXATION	-	(221)	-	-
MINORITY INTERESTS	(765)	(2,300)	(1,186)	(588)
NET ASSETS	67,296	145,442	117,619	101,012
SHAREHOLDERS' EQUITY	67,296	145,442	117,619	101,012

Note: The Company became the holding company of the companies comprising the group (collectively referred to as "the Group") on 18 April 2001 and became listed on the Stock Exchange on 7 May 2001. Accordingly, the financial summary comprised the combined results and state of affairs of the Group during the last four years ended 31 March 2001. Refer to Note 1 to the accompanying combined financial statements for details of the reorganisation.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the abovenamed company (the "Company") will be held at Yau Yat Chuen Garden City Club, 7 Cassia Road, Yau Yat Chuen, Kowloon, on Thursday, 23 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;

NOTICE OF ANNUAL GENERAL MEETING

- (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

NOTICE OF ANNUAL GENERAL MEETING

- (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,
17 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.