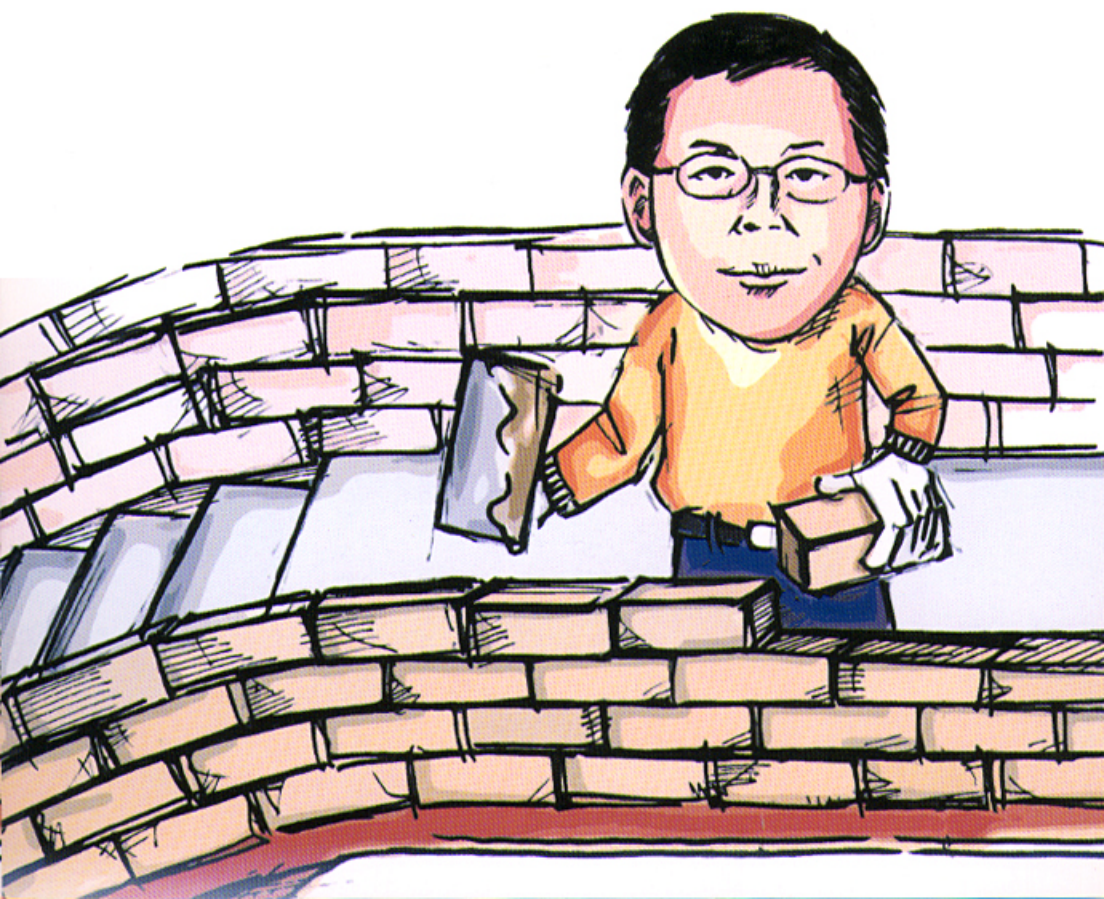


MOBICON GROUP LIMITED

INTERIM REPORT 2001/2002



INTERIM RESULTS

The directors (the "Directors") of Mobicon Group Limited (the "Company") are pleased to announce the unaudited consolidated financial statements of the Company and its subsidiaries (the "Group") as at and for the six months ended 30 September 2001 together with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
	Note	2001 HK\$'000 (unaudited)	2000 HK\$'000 (unaudited)
Turnover	3	145,048	283,614
Cost of sales		<u>(120,326)</u>	<u>(238,502)</u>
Gross profit		24,722	45,112
Distribution and selling expenses		(910)	(1,007)
General and administrative expenses		<u>(18,211)</u>	<u>(13,769)</u>
Profit from operations		5,601	30,336
Interest income		<u>682</u>	<u>182</u>
Profit before taxation	4	6,283	30,518
Taxation	5	<u>(1,137)</u>	<u>(4,883)</u>
Profit after taxation but before minority interests		5,146	25,635
Minority interests		<u>1</u>	<u>(1,380)</u>
Profit attributable to shareholders		<u>5,147</u>	<u>24,255</u>
Interim dividend	6	5,000	–
Earnings per share – Basic	7	HK\$0.03	HK\$0.16

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

CONSOLIDATED BALANCE SHEET

		As at 30 September 2001 HK\$'000 (unaudited)	As at 31 March 2001 HK\$'000 (audited)
NON-CURRENT ASSETS			
Fixed assets		2,348	1,168
Investment in an associate		150	–
		<u>2,498</u>	<u>1,168</u>
CURRENT ASSETS			
Inventories		64,607	57,588
Accounts receivable	8	36,299	24,052
Prepayment, deposits and other receivables		2,383	5,975
Cash and bank deposits		32,268	45,874
		<u>135,557</u>	<u>133,489</u>
CURRENT LIABILITIES			
Accounts payable	9	(17,463)	(17,889)
Accruals and other payables		(4,238)	(8,444)
Due to associate		(300)	–
Due to directors		–	(9,946)
Taxation payable		(3,016)	(1,545)
Dividend payable		–	(28,772)
		<u>(25,017)</u>	<u>(66,596)</u>
Total current liabilities		<u>(25,017)</u>	<u>(66,596)</u>
Net current assets		<u>110,540</u>	<u>66,893</u>
Total assets less current liabilities		113,038	68,061
MINORITY INTERESTS			
		<u>(4,089)</u>	<u>(765)</u>
Net assets		<u>108,949</u>	<u>67,296</u>
Representing:			
SHARE CAPITAL	10	20,000	1,000
RESERVES	11	17,506	–
RETAINED EARNINGS		66,443	66,296
PROPOSED DIVIDEND		5,000	–
		<u>108,949</u>	<u>67,296</u>
Shareholders' equity		<u>108,949</u>	<u>67,296</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2001 HK\$'000 (unaudited)	2000 HK\$'000 (unaudited)
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	(24,297)	11,799
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	682	182
Dividend paid	(28,772)	–
	(28,090)	182
TAXATION		
Hong Kong profits tax paid	–	(1,209)
Hong Kong profits tax refunded	334	–
	334	(1,209)
INVESTING ACTIVITIES		
Purchase of fixed assets	(1,467)	(957)
Investment in an associate	(150)	–
	(1,617)	(957)
NET CASH (OUTFLOW) INFLOW BEFORE FINANCING	(53,670)	9,815
FINANCING		
Issuance of ordinary shares	50,000	–
Share issuance expenses	(13,494)	–
Contribution from minority shareholders	4,090	–
Cash outflow for acquisition of additional interest in subsidiaries	(532)	–
	40,064	–
(DECREASE) INCREASE IN CASH AND BANK DEPOSITS	(13,606)	9,815
CASH AND BANK DEPOSITS		
Beginning of period	45,874	25,079
End of period	32,268	34,894

Notes:

1. Basis of presentation and comparative figures

The Company was incorporated in Bermuda on 11 January 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a group reorganisation in preparation of 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 its subsidiaries on 18 April 2001. The shares of the Company were listed on the Stock Exchange on 7 May 2001. The Group resulting from the group reorganisation has been treated as a continuing entity. Accordingly, the comparative figures for the preceding financial period have been prepared on the basis as if the Company had always been the holding company of the Group.

2. Principal accounting policies

The same principal accounting policies and methods of computation are followed in these interim financial statements for the six months ended 30 September 2001 as compared with the most recent published annual financial statements for the year ended 31 March 2001. These interim financial statements comply with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The Group has adopted a number of new and revised Statements of Standard Accounting Practices ("SSAPs") issued by the Hong Kong Society of Accountants for the first time in the current period. The adoption of these new or revised SSAPs does not have any effect on the current or prior period financial statements except in accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date.

3. Segment information

The Company is an investment holding company. Its subsidiaries are principally engaged in the distribution and sourcing of electronic parts and components, as well as computer accessories. All of the Group's turnover and profit attributable to shareholders were derived from the aforementioned business.

An analysis of the Group's turnover by geographical location determined on the basis of the destination of delivery of merchandise is as follows:

	Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
Hong Kong	120,426	207,652
Europe	8,995	33,446
America	3,231	16,723
Asia Pacific (other than Hong Kong)	8,749	18,524
Others	3,647	7,269
	<u>145,048</u>	<u>283,614</u>

No analysis of profit attributable to shareholders by geographical location is presented as they were generally in line with the distribution of turnover as set out above.

4. Profit before taxation

Profit before taxation in the consolidated income statement was stated after charging and crediting the following items:

	Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
After charging –		
Staff costs (including directors' emoluments)	11,093	8,859
Provision for obsolete and slow-moving inventories	–	177
Depreciation of fixed assets	287	890
Operating lease rental of rented premises	2,070	163
Net Exchange loss	52	–
Auditors' remuneration	300	240
	<u> </u>	<u> </u>
After crediting –		
Interest income from bank deposits	682	182
Net exchange gain	–	65
	<u> </u>	<u> </u>

5. Taxation

The Company and its subsidiaries are subject to income taxes on an entity basis on income arising in or derived from the tax jurisdiction in which they operate.

The Company was incorporated under the laws of Bermuda and, under current Bermuda Law, is not subject to tax on profit or on capital gains. The Company has obtained from the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so payable until 28 March 2016.

Provision for taxation for the period ended 30 September 2001 represented provision for Hong Kong profits tax at the rate of 16% (2000–16%) on the estimated assessable profit arising in or derived from Hong Kong.

There is no significant unprovided deferred taxation as at 31 March 2001 and 30 September 2001.

6. Interim dividend

The Board of Directors has declared an interim dividend of HK\$0.025 per ordinary share, totalling HK\$5,000,000 (2000: Nil) for the six months ended 30 September 2001 to shareholders whose names appear on the register of members of the Company on 21 December 2001. The share register of members will be closed from 20 December 2001 to 21 December 2001, both days inclusive. The dividend will be paid on 24 December 2001.

7. Earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2001 was based on the profit attributable to shareholders of approximately HK\$5,147,000 (2000: HK\$24,255,000) and on the weighted average number of 190,984,000 (2000: 150,000,000) shares in issue upon listing on the Stock Exchange on 7 May 2001.

No diluted earnings per share is presented since the Company has no potential dilutive ordinary share.

8. Accounts receivable

An ageing analysis of accounts receivable as at 30 September 2001 is as follows:

	As at 30 September 2001 HK\$'000	As at 31 March 2001 HK\$'000
0-60 days	31,243	22,011
61-120 days	1,738	1,292
121-180 days	2,091	715
181-365 days	1,227	34
	<u>36,299</u>	<u>24,052</u>

9. Accounts payable

An ageing analysis of accounts payable as at 30 September 2001 is as follows:

	As at 30 September 2001 HK\$'000	As at 31 March 2001 HK\$'000
0-60 days	16,877	17,430
61-120 days	341	273
121-180 days	109	19
181-365 days	136	167
	<u>17,463</u>	<u>17,889</u>

10. Share Capital

	2001	
	Number of shares '000	Nominal value HK\$'000
Authorised (ordinary share of HK\$0.10 each)		
Upon incorporation (a)	1,000	100
Increase in authorised share capital (b)	<u>1,999,000</u>	<u>199,900</u>
As at 30 September 2001	<u>2,000,000</u>	<u>200,000</u>
Issued and fully paid		
Issue of shares upon incorporation (a)	1,000	-
Issue of shares arising from the reorganisation (c)	1,000	200
Issue of shares through public offering and private placement (d)	50,000	5,000
Capitalisation of share premium (e)	<u>148,000</u>	<u>14,800</u>
As at 30 September 2001	<u>200,000</u>	<u>20,000</u>

- a. On 11 January 2001, the Company was incorporated with an authorised share capital of HK\$100,000, divided into 1,000,000 shares of HK\$0.10 each. All of these shares were issued and nil paid on 30 January 2001 and were subsequently paid up in the manner described in Note c below.
- b. On 18 April 2001, the Company's authorised share capital was increased from HK\$100,000 to HK\$200,000,000, by the creation of additional 1,999,000,000 shares ranking *pari passu* with the then existing shares in all respects.
- c. On 18 April 2001, the Company issued 1,000,000 shares which, together with the 1,000,000 shares issued upon incorporation, were credited as fully paid as consideration for the acquisition of the entire issued share capital of Mobicon (BVI) Limited, intermediate holding company.
- d. On 3 May 2001, 50,000,000 shares were issued at HK\$1 per share through a public offering and private placement ("the New Issue"), resulting in cash proceeds of HK\$50,000,000.
- e. Immediately after the New Issue, share premium of approximately HK\$14,800,000 was capitalised by the issuance of 148,000,000 shares of HK\$0.10 each on a pro-rata basis to the Company's shareholders before the New Issue.

The share capital as at 31 March 2001 represented the aggregate amount of the nominal value of the share capital of the companies comprising the Group as at that date.

11. Reserves

Movements in reserves were:

	For the six months ended 30 September 2001		
	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Beginning of period	-	-	-
Premium on issue of ordinary shares	45,000	-	45,000
Share issuance expenses	(13,494)	-	(13,494)
Capitalisation of share premium	(14,800)	-	(14,800)
Effect of the reorganisation	-	800	800
	<u>16,706</u>	<u>800</u>	<u>17,506</u>
End of period	<u>16,706</u>	<u>800</u>	<u>17,506</u>

BUSINESS RESULT

The Group announced a turnover of approximately HK\$145 million for the six months ended 30 September 2001, representing a decrease of 49% as compared with the corresponding period in the previous year. The net profit attributable to shareholders decreased correspondingly by 79% to approximately HK\$5.14 million, representing earnings per share of HK\$0.03.

The economic downturn and the weakened electronic product market had a direct impact on the Group's core business – electronic components trading services, resulting in a fall in both turnover and profit within the period. Since the overseas markets had substantial stocks in hand, the Group's export volume dropped sharply by approximately 50% as compared with the same

period of the previous year. At the same time, the average price of electronic parts also decreased by 30%. As a result of these factors, the turnover of the Group was reduced substantially. Meanwhile, considering the risks attached to its memory module export business, the Group restructured its business portfolio by putting more resources in the development of branded computer peripherals and value-added services which generally command a higher profit margin. In consequence of this gradual withdrawal from the memory module export business, contribution from memory module exports decreased by approximately 85%. Moreover, the expenditure on professional fees, rental and marketing incurred following the Group's listing further increased the operating costs of the Group during the period.

In the face of these unfavourable factors, even an increase in sales volume of electronic components in the local market was insufficient to offset the overall decline in the Group's profits.

BUSINESS REVIEW

To benefit from the economic slowdown, the Group continued to implement its "Satellite Development Strategy", which saw rapid development during the period. The strategy is to seek strategic alliances with small and medium size enterprises ("SMEs") with good potential in the targeted markets so as to enlarge the Group's business scale and strengthen its professional base.

In the past six months, the Group has established five more companies, each providing a unique specialist service. The first one is a wholly owned subsidiary incorporated in Hong Kong, MCU Power Limited which offers Micro Control Unit (MCU) solutions targeted at intelligent electrical appliances and toys. Following that, the Group set up the first multinational joint venture for trading electronic components and facilities in Malaysia, Mobicon-Remote Electronic Sdn. Bhd. Up to September 2001, the Group had set up another three companies, namely Milliard Devices Limited, Arkia Advance Limited and Create Tech Software Systems Limited, which are engaged in trading of branded electronic components, ICs for communication services and computer software design.

The Group has completed production of its full set of 20 product catalogues in the first half-year, well ahead of schedule. The Group plans to produce another 10 product catalogues in the second half-year to further promote its products, enhance its corporate image on an international level, and build up a closer relationship with its suppliers.

PROSPECTS

Although the economic environment is still unfavourable, the Group is confident of its future development and prospects. On the export side, the Group expects demand for electronic components and parts in overseas markets to recover to a reasonable level in 2002, following the depletion of accumulated stocks during the past six months. In preparation for this, the Group plans to appoint more distributors to enhance the penetration rate of its products. Moreover, the Group also believes that its new subsidiary and associated companies established in the past six months will start bringing in profits to the Group following anticipated growth in the coming six to twelve months.

In order to further expand its scale and professional foundation, the Group will continue to pursue its "Satellite Development Strategy". Recently, the Group has established two more joint ventures. The first one is DV Power Limited which is incorporated in Hong Kong and will focus on power component trading, targeting the Hong Kong market. The second new company is a joint venture with Mantech Electronics, a well-established company in South Africa which was founded in 1987 and has four branches, in Johannesburg, Midrand, Durban and CapeTown. This joint venture will focus on electronic components and facility trading services in South Africa.

The Group will continue to improve its operating model and procurement procedures, and will strive to provide professional procurement services for specific electronic components or products in order to minimize costs and achieve a higher profit margin.

Looking ahead, the Group will build on the firm foundation of improved operations and a stronger financial base by seeking to capture every appropriate business opportunity in the market and to acquire additional companies with good potential to fulfil its aim of offering full trading services. The Group believes that its business results will gradually recover, and expects a better performance in the coming financial year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial foundation is strong and it continues to maintain a prudent approach to meet its financial requirements. As at 30 September 2001, the Group's net cash balance and total assets amounted to HK\$33 million and HK\$138 million, respectively, net assets per share amounted to HK\$0.54. During the period, administrative expenses amounted to HK\$18.2 million, while the current ratio and quick ratio were 5.4 and 2.8, respectively, indicating that the financial position of the Group is very healthy and is debt free.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited interim financial statements and discussed financial related matters with the management.

DIRECTOR' INTERESTS IN SECURITIES

As at 30 September 2001, the Directors had the following interest in the shares of the Company and its subsidiaries within the meaning of the Securities (Disclosure of Interests) Ordinance ("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 (Note 1)	90,000,000
Ms. Yeung Man Yi, Beryl	–	–	90,000,000 (Note 1)	90,000,000
Mr. Hung Ying Fung	–	30,000,000	–	30,000,000
Mr. Yeung Kwok Leung, Allix	–	–	30,000,000 (Note 2)	30,000,000

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.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2001, according to the register kept by the Company under Section 16(1) of the SDI Ordinance, the following persons were interested or taken or deemed to be interested in 10% or more of the issued share capital of the Company:

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.

EMPLOYEES

As at 30 September 2001, the Group had approximately 118 full time employees whose remuneration are based on individual merits and years of experience.

USE OF PROCEEDS

Upon listing on the Stock Exchange in May 2001, net proceeds of approximately HK\$37 million were raised, of which:

- approximately HK\$2 million has been applied for the setting up of a sales office in Malaysia to capture the growing Asian market;
- approximately HK\$1 million has been applied for the setting up of a product database and product development centre in Shenzhen, the PRC;
- approximately HK\$2 million has been applied for development of new product lines through co-operation with strategic business partners in the electronics industry, most of the amount has been used for building up inventory and as working capital of the business; and
- approximately HK\$7 million has been used for the general working capital of the Group.

The balance of the net proceeds of the new issue of approximately HK\$25 million are being placed with banks.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2001.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, 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.

By Order of the Board
Hung Kim Fung, Measure
Chairman

Hong Kong, 4 December 2001