

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.



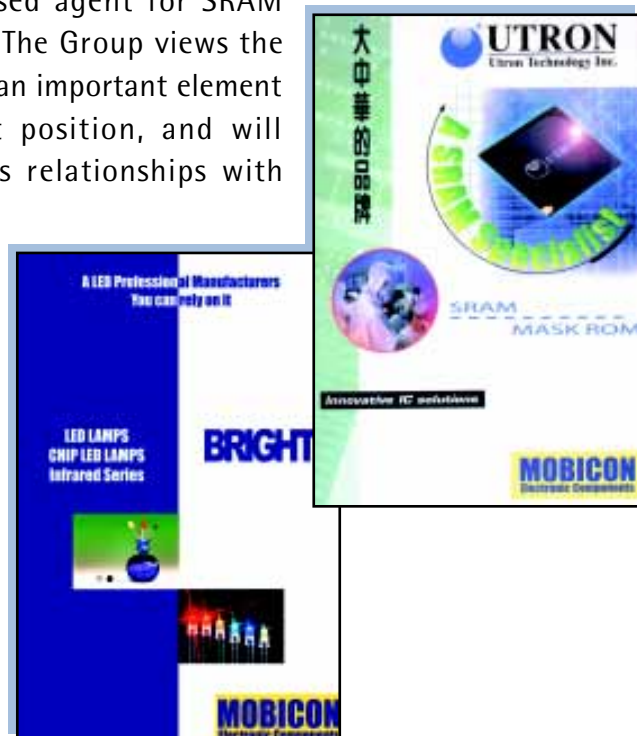
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Recent Developments



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.



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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

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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.