

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.

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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.

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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	<i>(b)</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>(b)</i>	–	100
Capitalisation of the share premium account	<i>(c)</i>	148,000	14,800
New issue on public listing	<i>(d)</i>	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.