NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. GROUP REORGANISATION, OPERATIONS AND BASIS OF PRESENTATION

Mobicon Group Limited ("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 parts and components and computer products and accessories. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") since 7 May 2001.

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. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the group throughout the year ended 31 March 2002, rather than from the date on which the Reorganisation was completed. The comparative figures as at and for the year ended 31 March 2001 are presented on the same basis.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, and 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 financial statements have been prepared on the historical cost basis.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

b. Adoption of new/revised Statements of Standard Accounting Practice

Effective 1 April 2001, the Group has adopted, for the first time, the following SSAPs issued by the Hong Kong Society of Accountants:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The Group has disclosed segment information in Note 23 to the financial statements so as to comply with SSAP 26. Except for disclosing segment information, the adoption of the aforementioned new/revised SSAPs had no material effect on amounts reported in the prior year.

In addition to the adoption of the above standards, the Group has adopted the consequential changes made to SSAP 10 "Accounting for investments in associates", SSAP 17 "Property, plant and equipment", SSAP 18 "Revenue" and SSAP 21 "Accounting for interests in joint ventures". The directors consider that the consequential changes made to the above SSAPs do not have a material impact on the financial statements of the Group.

c. Basis of consolidation

The consolidated financial statements include the accounts of the Group, together with the Group's share of post-acquisition results and reserves of its associates under the equity method of accounting. The results of subsidiaries and associates acquired or disposed of during the year are recorded from or to their effective dates of acquisition or disposal. Significant intra-group transactions and balances have been eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

d. Goodwill

Goodwill arises where the fair value of the consideration given exceeds the Group's share of the aggregate fair values of the identifiable net assets acquired. Goodwill is recognised as an asset in the balance sheet and is amortised on a straight-line basis over its estimated economic life. The carrying value of goodwill is assessed periodically or when factors indicating an impairment are present. Any impairment of goodwill is recognised as an expense in the period in which the impairment occurs.

e. Subsidiaries

A subsidiary is a company over which the Group can exercise control, which is normally evidenced when the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. In the Company's financial statements, investment in subsidiaries is stated at cost less any impairment loss, while income from subsidiaries is recorded to the extent of dividends received and receivable.

f. Associates

An associate is a company in which the Group has significant influence, but not control or joint control, over its financial and operating policy decisions. In the consolidated financial statements, investment in associates is accounted for under the equity method of accounting, whereby the investment is initially recorded at cost and is adjusted thereafter to recognise the Group's share of the post-acquisition results of the associates, distributions received from associates, other necessary alterations in the Group's proportionate interest in associates arising from changes in the equity of associates that have not been included in the income statement of the associates, amortisation of the difference between the cost of investment and the Group's share of the aggregate fair value of the identifiable net assets acquired at the date of acquisition (goodwill), and any impairment loss. The Group's share of post-acquisition results of associates is included in the consolidated income statement.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

g. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. Major expenditures on modifications and betterments of fixed assets which will increase in their 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%

The depreciation methods and useful lives are reviewed periodically to ensure that the methods and rates of depreciation are consistent with the expected pattern of economic benefits from fixed assets.

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.

h. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

h. Inventories *(Continued)*

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.

i. Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss representing the difference between the carrying amount and the recoverable amount of an asset, is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of an impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in the income statement.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

j. Provisions and contingencies

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

k. 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. Management fee is recognised when the related services are rendered. Interest income is recognised on a time proportion basis that takes into account the effective yield on the assets.

l. 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, at the current tax rate, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

m. Operating leases

Operating leases represent those leases under which substantially all the risks and rewards 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.

n. Advertising and promotion costs

Cost of advertising and promotion are expensed as incurred.

o. Employee retirement benefits

Costs of employee retirement benefits are recognised as an expense in the period in which the employees' services are rendered.

p. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to bring to its intended use or sale are capitalised as part of the cost of the asset at rates based on the actual cost of specific borrowings. All other borrowing costs are recognised as an expense in the period in which they are incurred.

q. Foreign currency translation

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("the functional currencies"). In the accounts of the individual companies, transactions in other currencies during the year are translated into the respective functional currencies at the applicable rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

q. Foreign currency translation *(Continued)*

The Group prepares consolidated financial statements in Hong Kong dollars. For the purpose of consolidation, assets and liabilities of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date; income and expense items are translated into Hong Kong dollars at the applicable average exchange rates during the year. Exchange differences arising from such translation are dealt with as movements in cumulative translation adjustments.

r. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in Hong Kong requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

3. RELATED PARTY TRANSACTIONS *(Continued)*

a. Particulars of significant transactions between the Group and related parties are summarised below:

	2002	2001
	$'000	*$'000*
Management fee from Create Tech Software Systems Limited, an associate	**69**	–
Rentals paid/payable to:		
– M-Bar Limited (i)	**2,772**	462
– Mr. Hung Kim Fung, Measure and Ms. Yeung Man Yi, Beryl	**480**	80

Note –

(i) M-Bar Limited is a wholly owned subsidiary of Mobicon Electronic Supplies Company Limited, a company beneficially owned by Mr. Hung Kim Fung, Measure (30%), Ms. Yeung Man Yi, Beryl (30%), Mr. Hung Ying Fung (20%) and Mr. Yeung Kwok Leung, Allix (20%), directors and substantial shareholders of the Company.

b. The balance due to an associate is unsecured, non-interest bearing and without pre-determined repayment terms.

c. Details of amounts due to directors (consolidated) are:

	2002	2001
	$'000	*$'000*
Mr. Hung Kim Fung, Measure	**–**	3,360
Ms. Yeung Man Yi, Beryl	**–**	2,108
Mr. Hung Ying Fung	**–**	2,239
Mr. Yeung Kwok Leung, Allix	**–**	2,239
	–	9,946

The balances with directors were unsecured, non-interest bearing and had been repaid during the year.

3. RELATED PARTY TRANSACTIONS *(Continued)*

d. Included in accruals and other payables as at 31 March 2002 was an amount due to a minority shareholder of a subsidiary of approximately $4,680,000 (2001 – Nil). Such amount is unsecured, non-interest bearing and repayable on demand.

4. TURNOVER AND REVENUE

Turnover and revenue in the consolidated income statement consists of:

	2002	2001
	$'000	*$'000*
Turnover – Sales of merchandise	**307,233**	460,926
Management fee *(Note 3.a)*	**69**	–
Interest income from bank deposits	**1,025**	823
Total revenue	**308,327**	461,749

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

5. PROFIT BEFORE TAXATION

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

	2002	2001
	$'000	*$'000*
After charging –		
Cost of merchandise sold	**263,110**	390,518
Staff costs (including directors' emoluments)	**24,978**	19,066
Provision for doubtful debts	**402**	–
Advertising and promotion costs	**923**	1,015
Impairment of goodwill arising from acquisition of an associate	**150**	–
Depreciation of fixed assets	**776**	1,109
Operating lease rentals of premises	**4,675**	1,047
Net loss on disposal of fixed assets	**167**	–
Net exchange loss	**1**	–
Auditors' remuneration	**560**	681
After crediting –		
Interest income on bank deposits	**1,025**	823
Write-back of provision for obsolete and slow-moving inventories for inventories sold during the year	**3,873**	1,688
Net gain on disposal of fixed assets	**–**	40
Net exchange gain	**–**	44

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

a. Details of emoluments paid to directors of the Company are:

	2002	2001
	$'000	*$'000*
Fees for executive directors	**–**	–
Fees for non-executive directors	**200**	–
Other emoluments for executive directors		
– Basic salaries and allowances	**4,290**	4,225
– Contributions to mandatory provident fund	**48**	16
	4,538	4,241

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 are as follows:

	2002	2001
Non executive directors		
– Nil to $1,000,000	**2**	–
Executive directors		
– Nil to $1,000,000	**2**	2
– $1,000,001 to $1,500,000	**2**	2
	6	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

b. Out of the five highest paid individuals, four (2001 – four) of them are directors of the Company, whose emoluments have been disclosed above. Details of emoluments paid to the other one highest paid individual are:

	2002 *$'000*	2001 *$'000*
Basic salaries and allowances	**418**	406
Contributions to mandatory provident fund	**12**	4
	430	410

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

7. TAXATION

Taxation in the consolidated income statement consists of:

	2002 *$'000*	2001 *$'000*
Company and subsidiaries:		
Current taxation –		
Hong Kong profits tax	**1,073**	7,040
Under (Over) provision in prior years	**286**	(718)
Mainland China enterprise income tax	**71**	–
Deferred taxation	**108**	(221)
	1,538	6,101

7. TAXATION *(Continued)*

a. Bermuda income tax

The Company is exempted from taxation in Bermuda until 2016.

b. Hong Kong profits tax

Hong Kong profits tax was provided at the rate of 16% (2001 – 16%) on the estimated assessable profit arising in or derived from Hong Kong.

c. Mainland China enterprise income tax

The Group has established a representative office in Mainland China which is subject to Mainland China enterprise income tax at a rate of 15% on the deemed net profit based on total expenses incurred by the representative office.

d. Others

No overseas taxation was provided as the subsidiaries operating in overseas had no taxable income during the year.

8. DIVIDENDS

	2002	2001
	$'000	*$'000*
Dividends declared before year end		
– Interim dividend – 2.5 cents (2001 – Nil) per ordinary share	**5,000**	–
– Special dividend	**–**	113,517
	5,000	113,517

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders included a profit of approximately $5,000,000 (2001 – Nil) dealt with in the financial statements of the Company.

10. RETAINED PROFIT

Retained profit (Accumulated loss) (consolidated) consisted of:

	2002	2001
	$'000	*$'000*
Company and subsidiaries	**65,710**	66,296
Associate	**(11)**	–
	65,699	66,296

11. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 March 2002 is based on the consolidated profit attributable to shareholders of approximately $4,403,000 (2001 – $35,371,000) and on the weighted average number of approximately 195,479,000 shares (2001 – 150,000,000 shares) deemed to have been issued throughout the year, on the basis of presentation relating to the Reorganisation as described in Note 1.

No diluted earnings per share is presented as there were no potential dilutive ordinary shares in issue during the years ended 31 March 2001 and 2002.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

12. FIXED ASSETS

Movements of fixed assets (consolidated) were:

	2002				2001
	Furniture and fixtures	Office equipment	Motor vehicles	Total	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Cost					
Beginning of year	5,103	1,874	2,418	9,395	8,462
Additions	916	1,428	593	2,937	1,094
Disposals	(75)	(320)	(617)	(1,012)	(161)
End of year	5,944	2,982	2,394	11,320	9,395
Accumulated depreciation					
Beginning of year	4,597	1,572	2,058	8,227	7,279
Provision for the year	316	272	188	776	1,109
Disposals	(11)	(26)	(604)	(641)	(161)
End of year	4,902	1,818	1,642	8,362	8,227
Net book value					
End of year	1,042	1,164	752	2,958	1,168
Beginning of year	506	302	360	1,168	1,183

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

13. INVESTMENT IN SUBSIDIARIES

In the Company's balance sheet, investment in subsidiaries consisted of:

	2002	2001
	$'000	*$'000*
Unlisted shares, at cost	**67,297**	–
Due from subsidiaries	**31,496**	–
	98,793	–

The amounts due from subsidiaries are unsecured, non-interest bearing and not repayable on or before 1 April 2003.

The underlying value of investment in subsidiaries is, in the opinion of the Directors, not less than its carrying value as at 31 March 2002.

Details of the subsidiaries as at 31 March 2002, all held indirectly by the Company (except for Mobicon (BVI) Limited), are as follows:

Name	Place and date of incorporation/ operations	Issued and fully paid share capital	Percentage of equity interest held	Principal activities
A Plus Electronic Company Limited	Hong Kong 7 April 1993	Ordinary $100 Non-voting deferred *(i)* $1,000,000	100%	Trading of electronic parts and components, computer products and accessories
A Power Limited	Hong Kong 16 January 2002	Ordinary $500,000	70%	Trading of electronic parts and components and accessories

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

13. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ operations	Issued and fully paid share capital	Percentage of equity interest held	Principal activities
Arkia Advance Limited	Hong Kong 17 August 2001	Ordinary $1,000	100%	Trading of electronic parts and components and accessories
DV Power Limited	Hong Kong 29 September 2001	Ordinary $10,000	50%*(ii)*	Trading of electronic parts and components and accessories
Langa Holdings (Pty) Ltd	Republic of South Africa 15 March 2001	Ordinary ZAR100	51%	Investment holding
Mantech Electronics (Cape) (Pty) Ltd	Republic of South Africa 16 May 2001	Ordinary ZAR100	51%	Trading of electronic parts and components and accessories
Mantech Electronics (JHB) (Pty) Ltd	Republic of South Africa 26 February 2001	Ordinary ZAR100	51%	Trading of electronic parts and components and accessories
Mantech Electronics (KZN) (Pty) Ltd	Republic of South Africa 26 March 2001	Ordinary ZAR100	51%	Trading of electronic parts and components and accessories
Mantech Electronics (Midrand) (Pty) Ltd	Republic of South Africa 18 April 2001	Ordinary ZAR100	51%	Trading of electronic parts and components and accessories
MCU Power Limited	Hong Kong 18 June 2001	Ordinary $1,000	100%	Trading of electronic parts and components and accessories

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

13. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ operations	Issued and fully paid share capital	Percentage of equity interest held	Principal activities
Milliard Devices Limited	Hong Kong 3 August 2001	Ordinary $1,000	100%	Trading of electronic parts and components and accessories
Mobicon (BVI) Limited	British Virgin Islands 28 December 2000	Ordinary US$10,000	100%	Investment holding
Mobicon Agent Limited ("MAL")	Hong Kong 18 February 1992	Ordinary $10,000	100%*(iii)*	Trading of electronic parts and components and accessories
Mobicon Holdings Limited	Hong Kong 9 October 2000	Ordinary $10	100%	Trading of electronic parts and components and accessories
Mobicon International Limited	British Virgin Islands 8 October 2001	Ordinary US$100	100%	Investment holding
Mobicon Malaysia Limited	British Virgin Islands 18 May 2001	Ordinary US$1	100%	Investment holding
Mobicon-Mantech Holdings Ltd	British Virgin Islands 18 October 2001	Ordinary US$1,000	51%	Investment holding
Mobicon-Remote Electronic Pte Ltd	Republic of Singapore 15 January 2002	Ordinary S$2	100%	Dormant

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

13. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place and date of incorporation/ operations	Issued and fully paid share capital	Percentage of equity interest held	Principal activities
Mobicon-Remote Electronic Sdn Bhd	Malaysia 24 May 2001	Ordinary RM1,000,000	50.10%	Trading of electronic parts and components and accessories
M-Tec Electronic Limited ("M-Tec")	Hong Kong 9 January 1992	Ordinary $100,000	100%*(iii)*	Trading of electronic parts and components and accessories
Partners 2 Limited	British Virgin Islands 11 June 2001	Ordinary US$100	100%	Investment holding
PC Master Limited	Hong Kong 19 October 2001	Ordinary $1,000	100%	Trading of electronic parts and components, computer products and accessories

(i) *The non-voting deferred shares are not owned by the Group. The shares have no voting rights, are not entitled to dividend, and are not entitled to any distributions upon winding up unless a sum of $10 billion had been distributed to the holders of ordinary shares.*

(ii) *The Directors are of the view that the Group has control over the financial and operating policies of DV Power Limited and accordingly DV Power Limited is accounted for as a subsidiary of the Group.*

(iii) *During the year, the Group acquired the remaining 30% and 40% interest in MAL and M-Tec, respectively. Thereafter, MAL and M-Tec became wholly-owned by the Group.*

None of the subsidiaries had any loan capital in issue at any time during the year ended 31 March 2002.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

14. INVESTMENT IN AN ASSOCIATE

Investment in an associate (consolidated) consisted of:

	2002	2001
	$'000	*$'000*
Unlisted shares, at cost	**300**	–
Impairment of goodwill arising from acquisition of an associate	**(150)**	–
	150	–
Accumulated share of losses	**(11)**	–
	139	–

The underlying value of investment in an associate is, in the opinion of the Directors, not less than its carrying value as at 31 March 2002.

Details of the associate as at 31 March 2002, held indirectly by the Company are:

Name	**Place and date of incorporation/ operations**	**Percentage of equity interest held**	**Principal activity**
Create Tech Software Systems Limited	Hong Kong 22 August 2001	30%	Design of computer software

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

15. INVENTORIES

Inventories (consolidated), comprising electronic components and computer products and accessories held for trading purposes, consists of:

	2002 *$'000*	2001 *$'000*
Inventories	**73,231**	64,684
Less: Provision for obsolete and slow-moving inventories	**(3,223)**	(7,096)
	70,008	57,588

Inventories stated at net realisable value are approximately $12,252,000 as at 31 March 2002 (2001 – $5,108,000).

16. ACCOUNTS RECEIVABLE

The Group normally grants to its customers credit periods for sales of goods ranging from 14 to 60 days. The ageing analysis of accounts receivable (consolidated) is stated as follows:

	2002 *$'000*	2001 *$'000*
0 to 60 days	**30,839**	22,011
61 to 120 days	**3,407**	1,292
121 to 180 days	**1,390**	715
181 to 365 days	**1,053**	34
	36,689	24,052
Less: Provision for doubtful debts	**(402)**	–
	36,287	24,052

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

17. ACCOUNTS PAYABLE

The ageing analysis of accounts payable (consolidated) is stated as follows:

	2002	2001
	$'000	*$'000*
0 to 60 days	**18,830**	17,430
61 to 120 days	**3,528**	273
121 to 180 days	**3,426**	19
181 to 365 days	**74**	167
	25,858	17,889

18. DEFERRED TAXATION

Movements of deferred taxation (consolidated) are:

	2002	2001
	$'000	*$'000*
Beginning of year	**–**	221
Provision for the year	**108**	–
Write-back of timing difference	**–**	(221)
End of year	**108**	–

The deferred taxation represents the taxation effect of the accelerated depreciation allowance for taxation purposes.

As at 31 March 2002, the Group had unprovided deferred tax asset, primarily representing the tax effect of cumulative tax losses (subject to the approval of the relevant tax authorities), amounting to approximately $758,000 (2001 – $181,000).

19. SHARE CAPITAL

Movements of share capital were:

	Number of shares *'000*	Nominal value *$'000*
Authorised (ordinary shares of $0.10 each)		
Upon incorporation of the Company (a)	1,000	100
Increase in authorised share capital (b)	1,999,000	199,900
As at 31 March 2002	2,000,000	200,000
Issued and fully paid (ordinary shares of $0.10 each)		
Issue of shares (a)	1,000	–
Issue of shares pursuant to the Reorganisation (c)	1,000	200
Issue of shares through public offering and placing (d)	50,000	5,000
Capitalisation of share premium (e)	148,000	14,800
As at 31 March 2002	200,000	20,000

a. On 11 January 2001, the Company was incorporated with an authorised share capital of $100,000, divided into 1,000,000 shares of $0.10 each. All of these shares were issued and credited as nil paid.

b. On 18 April 2001, the Company's authorised share capital was increased from $100,000 to $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, the intermediate holding company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

19. SHARE CAPITAL *(Continued)*

d. On 3 May 2001, 50,000,000 shares were issued at $1 per share through a public offering and placing ("the New Issue"), resulting in cash proceeds of $50,000,000.

e. Immediately after the New Issue, share premium of approximately $14,800,000 was capitalised by the issuance of 148,000,000 shares of $0.10 each on a pro-rata basis to the Company's shareholders before the New Issue.

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

20. SHARE OPTION SCHEME

On 18 April 2001, the Company approved a share option scheme under which the Company's 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 highest of (i) the nominal value of the shares, (ii) the quoted closing prices of the Company's shares on the trade day immediately preceding the date of offer of the options, and (iii) the average of the quoted closing price of the Company's shares 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 31 March 2002.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

21. RESERVES

Movements of reserves were:

	Share premium $'000	Capital reserve *(a)* $'000	Contributed surplus *(b)* $'000	Total $'000
Consolidated –				
As at 31 March 2001	–	–	–	–
Premium on issue of ordinary shares *(Note 19.d)*	45,000	–	–	45,000
Share issue expenses	(13,494)	–	–	(13,494)
Capitalisation of share premium *(Note 19.e)*	(14,800)	–	–	(14,800)
Effect of the Reorganisation	–	800	–	800
As at 31 March 2002	**16,706**	**800**	**–**	**17,506**
Company –				
As at 31 March 2001	–	–	–	–
Premium on issue of ordinary shares *(Note 19.d)*	45,000	–	–	45,000
Share issue expenses	(13,494)	–	–	(13,494)
Capitalisation of share premium *(Note 19.e)*	(14,800)	–	–	(14,800)
Effect of the Reorganisation	–	–	67,097	67,097
As at 31 March 2002	**16,706**	**–**	**67,097**	**83,803**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

21. RESERVES *(Continued)*

a. Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through exchanges of shares pursuant to the Reorganisation (see Note 1).

b. Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through exchanges of shares pursuant to the Reorganisation (see Note 1).

Under the Companies Act 1981 of Bermuda (as amended), retained profit and contributed surplus are distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of retained profit and contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

The Company's reserves as at 31 March 2002 available for distribution to shareholders are approximately $67,097,000 (2001 – Nil).

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Analysis of changes in financing:

	Share capital and premium $'000	Due to (from) directors $'000	Minority interests $'000	Total $'000
As at 1 April 2000	1,000	(82,352)	2,300	(79,052)
Dividend declared and offset against due from directors	–	86,655	–	86,655
Advance from directors	–	5,643	–	5,643
Share of profit for the year	–	–	1,625	1,625
Dividend paid to minority shareholders of a subsidiary	–	–	(3,160)	(3,160)
As at 31 March 2001	1,000	9,946	765	11,711
Proceeds from issue of shares	50,000	–	–	50,000
Shares issue expenses	(13,494)	–	–	(13,494)
Effect of the Reorganisation	(800)	–	–	(800)
Repayment to directors	–	(9,946)	–	(9,946)
Capital contributions from minority shareholders of subsidiaries	–	–	1,177	1,177
Attributable to acquisition of additional interest in subsidiaries	–	–	(765)	(765)
Share of loss for the year	–	–	(357)	(357)
As at 31 March 2002	**36,706**	**–**	**820**	**37,526**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

23. SEGMENT INFORMATION

The Group is principally engaged in trading of electronic components and computer products and accessories to customers in different geographical areas. Accordingly, the Directors has determined that there is only one business segment and the geographical segment is its primary reporting format.

An analysis of geographical segment is as follows:

	2002					
	Hong Kong	Asia Pacific	Europe	America	Others	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Turnover *						
External sales	253,327	21,718	12,203	5,818	14,167	307,233
Operating results						
Profit from operations	3,747	320	183	91	229	4,570
Share of loss of an associate						(11)
Interest income						1,025
Taxation						(1,538)
Profit before minority interests						4,046
Other information **						
Segment assets	123,900	8,974	–	–	6,650	139,524
Segment liabilities	20,735	8,018	–	–	6,746	35,499
Capital expenditures	1,169	902	–	–	866	2,937
Depreciation	604	102	–	–	70	776

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

23. SEGMENT INFORMATION *(Continued)*

	2001					
	Hong Kong	Asia Pacific	Europe	America	Others	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Turnover *						
External sales	337,283	38,223	49,280	22,615	13,525	460,926
Operating results						
Profit from operations	30,860	3,382	4,650	2,114	1,268	42,274
Interest income						823
Taxation						(6,101)
Profit before minority interests						36,996
Other information **						
Segment assets	134,657	–	–	–	–	134,657
Segment liabilities	66,596	–	–	–	–	66,596
Capital expenditures	1,094	–	–	–	–	1,094
Depreciation	1,109	–	–	–	–	1,109

* *Turnover by geographical location is determined on the basis of the destination of delivery of merchandise to customers.*

** *Other information by geographical location is determined on the basis of the geographical location of the assets.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

24. OPERATING LEASE COMMITMENTS

As at 31 March 2002, the Group had operating lease commitments in respect of rented premises under various non-cancellable operating lease agreements extending to January 2006. The amounts of total commitments are analysed as follows:

	2002	2001
	$'000	*$'000*
Amounts payable		
– within one year	**4,903**	3,439
– more than one year but not exceeding two years	**10,238**	3,268
– more than two years but not exceeding five years	**–**	9,214
	15,141	15,921

25. CONTINGENT LIABILITIES

Details of contingent liabilities not provided for in the financial statements are:

	Consolidated		Company	
	2002	2001	**2002**	2001
	$'000	*$'000*	*$'000*	*$'000*
Guarantees provided by the Company in respect of banking facilities of a subsidiary	**–**	–	**30,000**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

26. RETIREMENT SCHEMES

The Group has arranged for its employees in Hong Kong 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. The employees' 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.

Mobicon-Remote Electronic Sdn Bhd, a 50.1% owned subsidiary of the Group, has arranged for its employees in Malaysia to join the Employee Provident Fund Scheme ("the EPF Scheme"). The EPF Scheme is a defined contribution scheme managed by the government of Malaysia. Under the EPF Scheme, the employer and its employees make monthly contribution to the scheme at 11% and 12%, respectively, of the employees' earnings as defined under the Employee Provident Fund Act 1991, and has no further obligations for the actual pension payments or post-retirement benefits beyond its contributions. The relevant government agency is responsible for the entire pension obligation payable to all retired employees.

During the year ended 31 March 2002, the aggregate amount of the employer's contribution made by the Group to the above retirement schemes was approximately $996,000 (2001 – $466,000).

Group companies to which the above does not apply, do not have any employee retirement schemes for their employees.

27. BANKING FACILITIES

As at 31 March 2002, the Group had aggregate and unutilised banking facilities of $30,000,000 (2001 – Nil) for overdraft and trade financing. These facilities were secured by corporate guarantees provided by the Company.