

Management Discussion and Analysis



Business Review

In the period under review, the Group underwent a restructuring with the aims of streamlining its administrative and management structure and increasing operation efficiency and merged its operation into two main divisions managed under two brands, namely, “Mobicon Electronic Components” **MOBICON**, which engages in the trading and distribution of electronic parts, components and equipment; and “A Plus”, which focuses primarily on developing the Group’s trading and distribution of computer products business.

Trading and distribution business of electronic parts, components and equipment

“Mobicon Electronic Components”

The business performance of various subsidiaries under this brand name in different regions was promising. In the period under review, the Group regrouped all the subsidiaries that previously traded under

the “IC Master” **IC MASTER SHOP** brand name; and placed them under the brand name of “Mobicon Electronic Components” **MOBICON**. This created a supply chain that allows the Group to enjoy further benefits through cross selling, as well as to provide a more comprehensive range of services to customers.

Hong Kong

All the Group’s local subsidiaries - including “DV Power Limited”, “MCU Power Limited”, “Milliard Devices Limited” and “Arkia Advance Limited” - enjoyed good results. The Satellite Development Strategy enabled the Group to offer more comprehensive services, thus creating a wider customer network. To enhance the professional standards of its sales team, the Group employed graduates with a degree in Electronic Engineering. It also provided more training in sales techniques to assist the members of its sales team in extending their customer base and enhancing their product knowledge. This holistic approach gave the Group a considerable competitive advantage in the local market.



Management Discussion and Analysis

(Continued)

Overseas

Overseas business under this brand name grew rapidly. Langa Holdings (Pty) Ltd. in South Africa and Mobicon-Remote Electronic Sdn. Bhd. in Malaysia both scored encouraging results. Mobicon-Remote Electronic Pte. Ltd, the Group's headquarters in Southeast Asia, officially commenced its business operations during the period under review. The Group is now producing full-colour product catalogues for these offices. Meanwhile, the Group will select its most popular items of electronic equipment in the China and Asian markets for use as highlight products in these regions. This will enable the Group to expand its local distribution business in these areas.



Trading and distribution business of computer products and accessories

“A Plus”

The Group launched a point-to-point distribution service, with distribution centres located close to every major computer centre for speedy logistic services. This means customers can collect the products ordered within the shortest space of time. The Group also helped suppliers to establish maintenance service centres. Such value-added after-sales services not only enable the Group to

establish closer relationships with suppliers, they also enhance its one-stop computer services.

Generally speaking, the Group believes that the more focused and consolidated business structure created through the restructuring process, together with more systematic distribution business strategies, will help to gain much stronger competitive edge. Thus, it has full confidence in its future business development.

Liquidity and financial resources

As at 31st March 2003, the Group's net cash balance and total assets amounted to HK\$21 million and HK\$182 million respectively. Net assets per share amounted to HK\$0.59. Meanwhile, dividends and basic earnings per share were HK\$0.04 and HK\$0.09 respectively.

As at 31st March 2003, the Group had drawn HK\$7 million in short-term bank loans to finance expansion and the future development plans of its subsidiaries. These loans have a maturity term of one month, and they can be rolled over afterwards at the Group's discretion. The gearing ratio (calculated as a percentage of total borrowings over total assets, less current liabilities) as at 31st March 2003 was 0.059.

The directors believe that the Group's existing financial resources are sufficient to fulfil its commitments and current working capital requirements.

Management Discussion and Analysis

(Continued)

Exposure to Fluctuation in Exchange Rate

Most of the transactions of the Group were denominated in Hong Kong dollars, RMB and US\$. Given that the exchange rate of Hong Kong dollar against RMB has been and will likely remain stable, while the policy of the Government of HKSAR to link the Hong Kong dollars to the US dollars remains in effect, no hedging or other alternative measures have been implemented by the Group. As at 31st March 2003, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Charges on Assets

The Group did not have any charge on their assets as at 31st March 2003.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31st March 2003.

Employees

As at 31st March 2003, the Group had approximately 286 full-time employees, whose remuneration is based on their individual merits and years of experience. The Group strongly believes that human resources are precious assets of the company, and attaches great importance to employee training. In order to enhance communication between the Group and its employees, the Group has established the “Mobicon Walk” at its office. Employees can contribute their opinions on a notice board at the “Mobicon Walk”. Management will review these suggestions on a regular basis and respond to them as soon as possible. To enhance employee morale further, the Group conducted regular activities such as “The Best Sales Award” to recognise the outstanding contributions of employees in various areas of its business. The Group also organised a wide range of light-hearted activities, such as debating contests and question-and-answer competitions, to help employees to learn more about product features and to benefit through interactive games.

