One Enterprise
One Dream

Annual Report 2007/2008

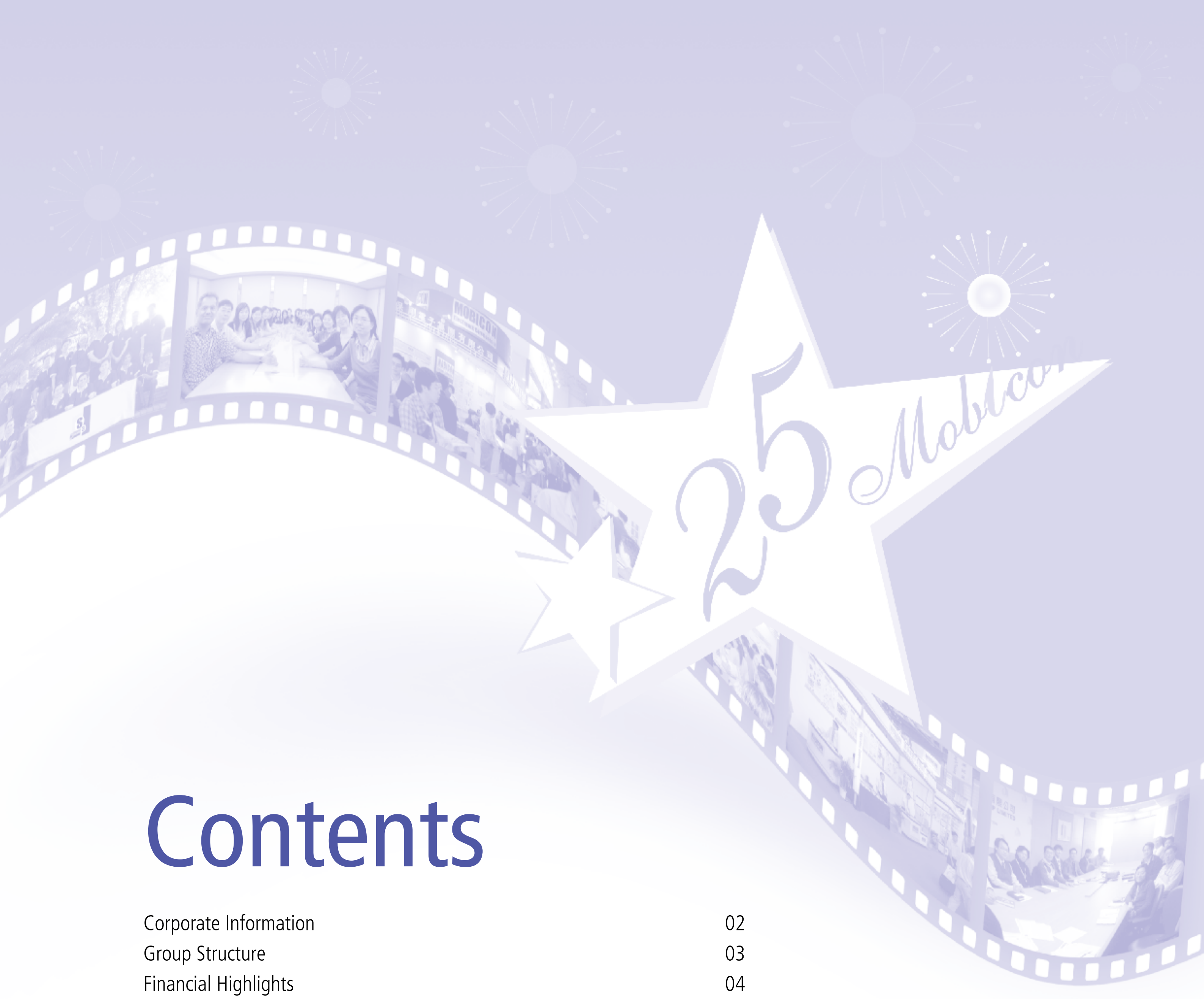
Mobicon Group Limited
萬保剛集團有限公司

(Stock Code: 1213)

商界展關懷
caringcompany 2007/08
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

MOBICON
Electronic Components

Enterprising - Pragmatic - Aspiring



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Corporate Information

Board of Directors

Executive directors

Hung Kim Fung, Measure (Chairman)
Yeung Man Yi, Beryl (Chief Executive Officer)
Hung Ying Fung
Yeung Kwok Leung, Allix

Independent non-executive directors

Charles E. Chapman
Leung Wai Cheung
Chow Shek Fai

Audit Committee

Leung Wai Cheung (Chairman)
Charles E. Chapman
Chow Shek Fai

Remuneration Committee

Yeung Man Yi, Beryl (Chairman)
Leung Wai Cheung
Chow Shek Fai

Company secretary

Yeung Kin Kwan, Alvan

Registered office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business

7/F New Trend Centre
704 Prince Edward Road East
San Po Kong
Kowloon
Hong Kong

Auditors

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31/F Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Branch Share Registrar and Transfer Office

Hong Kong Registrars Limited
Shops 1712–1716, 17/F
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

Legal Adviser

F. Zimmern & Co.
Suites 1501–1503, 15/F
Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

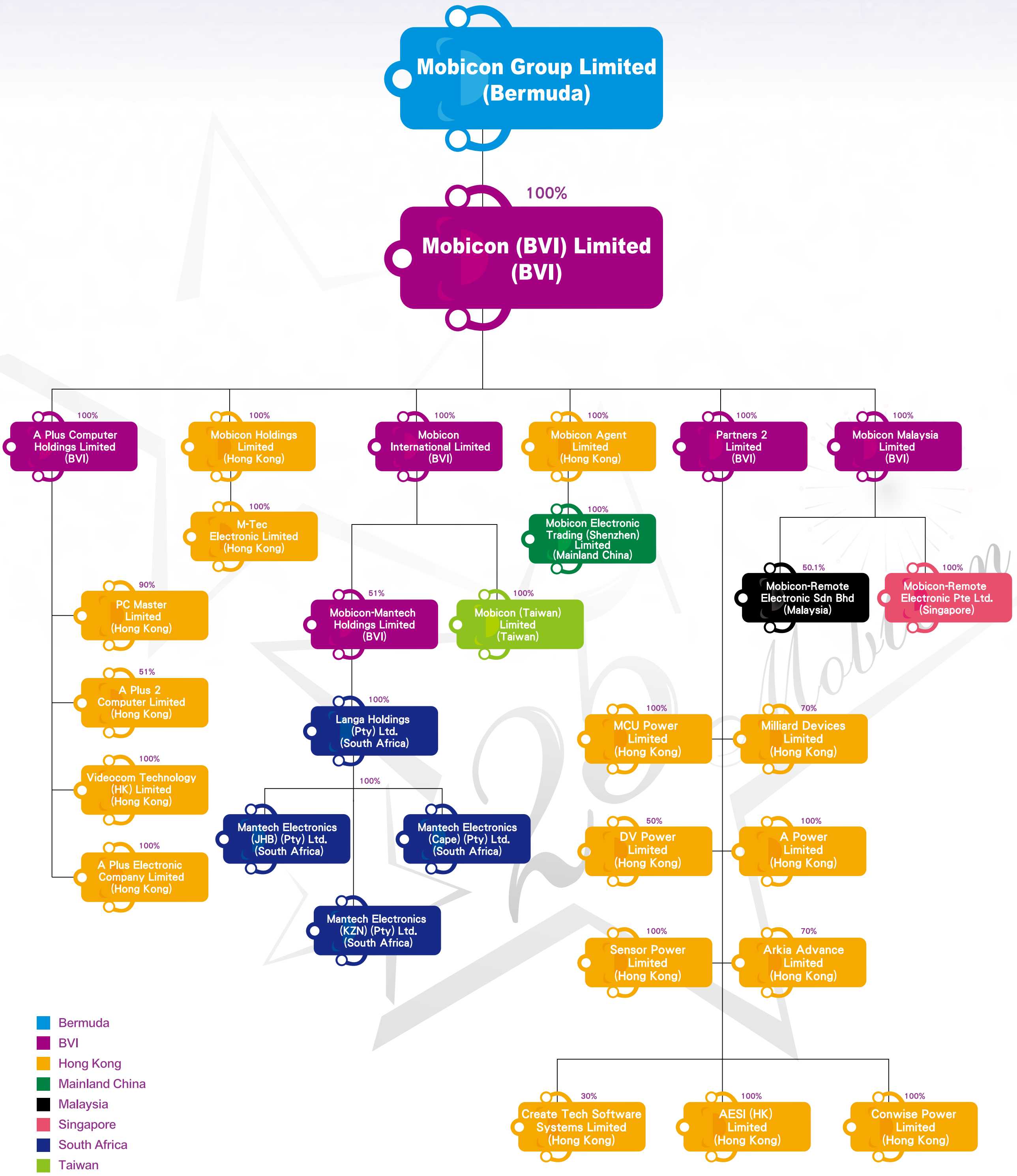
Corporate Website

http://www.mobicon.com

Stock Code

1213

Group Structure

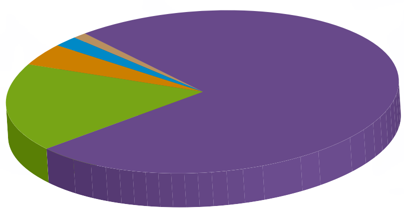


Financial Highlights

Major Financial Indicators and Ratios

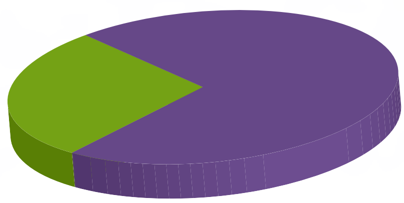
	2008	2007	2006	2005	2004
Net gearing ratio	**0.08**	0.06	0.02	0.19	0.19
Inventory turnover days	**70 days**	67 days	66 days	54 days	43 days
Accounts receivable turnover days	**36 days**	33 days	32 days	29 days	26 days
	HK$	HK$	HK$	HK$	HK$
Earnings per share – basic	**0.05**	0.07	0.10	0.16	0.14
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Net assets	**189**	186	180	167	147

Turnover by Geographical Segments (by %)



Hong Kong	75%
Asia-Pacific region (other than Hong Kong)	18%
South Africa	4%
Europe	2%
Others	1%

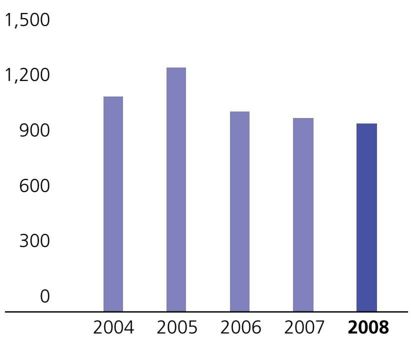
Turnover by Business Segments (by %)



Electronic Trading Business	72%
Computer Business	28%

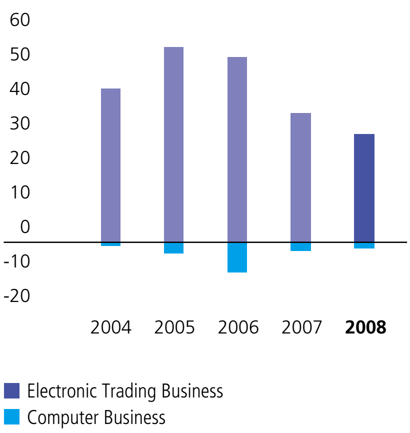
Turnover

HK$ in million



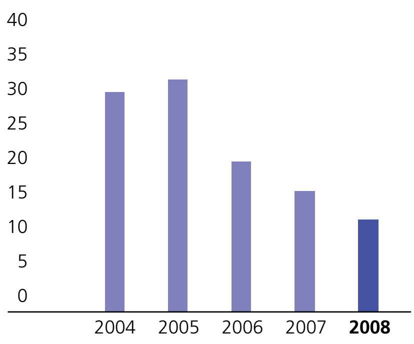
Segment Results

HK$ in million



Profit Attributable to Shareholders

HK$ in million



Chairman's Statement

The Group recorded a turnover of around HK$0.933 billion during the fiscal year ended 31st March 2008

Financial Result

The Group recorded a turnover of around HK$0.933 billion during the fiscal year ended 31st March 2008. This represented a decrease of about 7.3% compared to around HK$1.007 billion in the previous year. Gross profit dropped by approximately 5.4% to around HK$139 million, compared to about HK$147 million last year while the gross profit margin slightly grew by approximately 0.3% from about 14.6% last year to around 14.9%. The Group's operating profit amounted to approximately HK$24 million (31st March 2007: HK$29 million), and the profit attributable to shareholders was approximately HK$10.3 million (31st March 2007: HK$14.8 million), representing earnings per share of HK$0.052 (31st March 2007: HK$0.074 per share). Subject to the approval of the shareholders at the forthcoming annual general meeting, the Board has resolved to declare a final dividend of HK$2 cents per ordinary share for the year under review, totalling HK$4 million to the shareholders whose names appeared on the register of members on 21st August 2008. The final dividend, if approved, is expected to be paid on 28th August 2008.

During the year under review, the Group continued to develop its two core business lines, namely (1) the distribution of electronic components, automation parts and equipment under the MOBICON service branding (the "Electronics Trading Business") and (2) computer related business (the "Computer Business") which includes (i) the retail sales of computer products and accessories under the VideoCom retail branding (the "Computer Retail Business"), (ii) the distribution on computer products under APower (the "Computer Distribution Business") and (iii) the provision of IT outsourcing and solution services to small and medium enterprises in Hong Kong (the "IT Outsourcing Services"). The Group's turnover of Electronics Trading Business during the year under review amounted to about HK$668 million, dropped by approximately 6.6% compared with about HK$715 million in the previous year, while turnover of Computer Business recorded a decrease approximately 8.9% to about HK$265 million from about HK$291 million in the previous year.

During the year under review, the Group's total operating expenses for the year slightly decreased by approximately 2% to around HK$117 million. (31st March 2007: HK$119 million). Financial costs for the year decreased by about 17 % to approximately HK$3.8 million (31st March 2007: HK$4.6 million).

Development Strategy and Outlook

The Group will continue to develop Singapore unit as the central administration of the ASEAN units. The Singapore unit has been awarded a number of product agentships, coverage reaching most of the ASEAN countries. The Group is now actively introducing these agentships in the Singapore unit to the Asian's markets including Taiwan, Hong Kong and China. Meanwhile, the Group will make use of the networking of the Singapore unit to expand the agentships in Hong Kong and China to other ASEAN countries. It aims to bring mutual benefits to all parties through this exchange strategy. The Group believes this strategy can not only increase the agentship coverage to more countries and regions, but also establishing a closer business partnership with all suppliers.

Besides, the Group believes one of the key factors for success is to continue enlarging its customer base through local sales channels. Therefore, the Group will recruit more sales executives from various Asian countries and provide more training to its staff to promote the local sale efficiency. In order to achieve this strategy, the Group will strive to acquire more brand-named agentship through the Singapore and Hong Kong units, to satisfy different customers' needs.

At the same time, the Group is always willing to embrace new technology such as online sales. During the year under review, the Group started doing online transactions by operating at eBay online platform and reached the end users of retail products directly. Currently, the Group has recorded 2,500 end users on average per month.

Having been continuously developing its ASEAN sales network throughout the years, the Group has successfully achieved remarkable performances in multiple regional branches. In the coming future, the Group will not only continue to maintain and strengthen its competitiveness in overseas markets, but also further expand its worldwide network. Besides, the Group can see the potential of electronic component business in Australia market. As such, the Group has been planning to develop its business in Australia.

With regard to computer business, the Group has been striving to develop its dealer network. The Group aims to further raise the number of dealer shops from 1,000 to 1,500 by introducing new agents and products. Other than computer and game stores, the dealers of the Group also include bookstores, electronic appliance chain stores, photo printing stores, mobile phone stores and music collection stores.

The Group launched the Jt Freewalker Mobile Hard Disk this year which further enlarged the Group's market share in the local storage memory market. In the future, the Group will strengthen the Jt branding promotion. Apart from concentrating in the development in the storage memory market, the Group is also exploring other potential computer peripherals under the branding of Jt.

In addition, increasing numbers of enterprises and governments have widely adopted environmental friendly products and solutions into their daily operation, production and management process. The Group expects that the environmental protection business will become one of the biggest sectors in global markets. A Power Limited, one of the subsidiaries of the Group, will cooperate with a renowned energy saving products manufacturers and launch a series of energy saving products in local market. The Group believes there will be a prosperous future in the environmental protection industry.

Appreciation

I would like to thank our management team and all our staff members for their efforts and significant contributions to the Group during the past year. In addition, I would like to express my heartfelt gratitude to our various shareholders, institutional investors, customers, bankers and business partners for their continued support to and confidence in the Group.

By order of the Board
Hung Kim Fung, Measure
Chairman

Hong Kong, 21st July 2008

Management Discussion and Analysis

Business Review

During the year under review, the Group's continued to focus on its two core business operations, namely: (1) the distribution of electronic components, automation parts and equipment under the MOBICON serving branding (the "Electronic Trading Business"); and (2) computer related business (the "Computer Business") which includes (i) the retail sales of computer products and accessories under the VideoCom retail branding (the "Computer Retail Business"), (ii) the distribution on computer product under the APower (the "Computer Distribution Business") and (iii) the provision of IT outsourcing and solution services to small and medium enterprises in Hong Kong (the "IT Outsourcing Services"). The Electronic Trading Business and the Computer Business accounted for about 72% and 28% of the Group's total turnover for the fiscal year ended 31st March 2008 respectively.

According to the analysis on the two core business operations, the gross profit margin of the Electronic Trading Business was approximately 18.3% (31st March 2007: about 17.1%) while that of the Computer Business stood at around 6.4% (31st March 2007: about 8.5%). With the adoption of price reduction policy to clear those non-RoHS (Restriction of the Use of Certain Hazardous Substances) items since last year, the Group did not need to provide further stock provision during the year under review and the gross profit margin of Electronic Trading Business was thus improved. However, owing to the price fluctuation on the sales of computer memory cards, the gross profit margin of Computer Business was dropped.

Electronic Trading Business

Hong Kong

For the fiscal year ended 31st March 2008, the Group recorded a turnover of Electronic Trading Business approximately HK$668 million, representing a decrease of about 6.6%, when compared to approximately HK$715 million for the last year.

During the year under review, due to the undesirable performance on property market and the severe subprime lending crisis in the US, the demand on telecommunication products and general consumer electronics products dropped. As a result, the production volume of the Group's customers reduce which unavoidably had negative impact on the Group's performance. Besides, the continual appreciation in Renminbi and the strict enforcement of the minimum wage rate and new Labor Law in the PRC had resulted in an increase in the operation cost of most of the Group's customers, leading to strain of fund. The impact on traditional audio and telecommunication industries are particularly grave.

Overseas

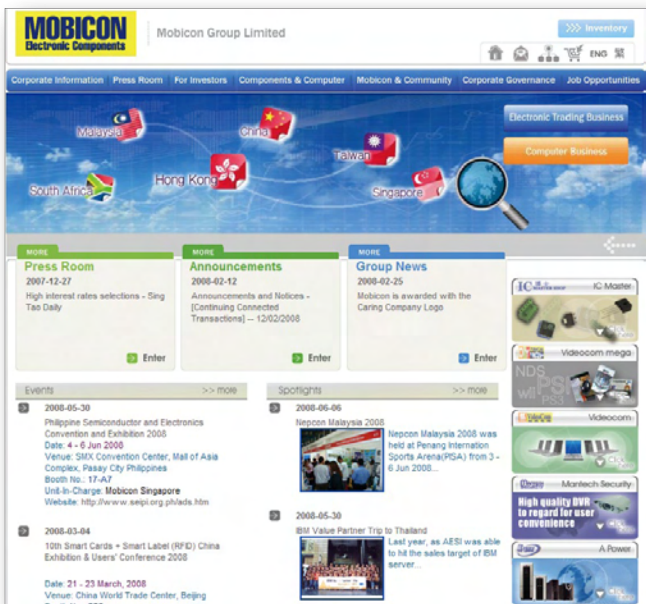
During the year under review, the business of the Group's overseas subsidiaries has achieved steady growth, recording a turnover of approximately HK$130 million, which represented an increase of about 17% when compared to approximately HK$111 million for the last year. The performance of the South Africa branch was particularly satisfactory because of the booming economic activities in South Africa which had driven the continual growth of the Group's operation and resulted in a significant growth. The South Africa branch has therefore increased its inventory to meet the retail demand in the foreseeable future.

Apart from the retail of electronic components, the Group's subsidiary in Singapore is also in the business of distributing Agilent Technologies equipment. In addition, the Singapore branch has successfully became the agent of Atmel Corporation in Asia, covering Singapore, Malaysia, Philippine, Thailand and Vietnam, which marked the recognition on the Group's expansion in Asia.

In terms of geographical segments, the contributions of Hong Kong, the Asia-Pacific region (other than Hong Kong), South Africa, Europe and other regions, accounted for: 75%, 18%, 4%, 2% and 1% respectively of the Group's total turnover during the year under review.

Computer Retail Business

The Computer Retail Business, mainly the VideoCom operation, recorded a loss of around HK$5.3 million during the year under review. Since the restructuring of the Group's computer retail business has been largely completed, resulting in a further increase of about HK$1.1 million in the loss recorded when compared to the last year. On the other hand, the



Group continued to develop the branding of VideoCom by centralizing the outlets at Shum Shui Po and strengthening the marketing and promotion campaigns which the Group believes to be advantageous to the development of its computer retail business because Shum Shui Po is the landmark of computer products in Hong Kong.

Computer Distribution Business

During the year under review, the Group's performance in its computer distribution business was satisfactory. A Power Limited, one of the subsidiaries of the Group carrying on the Computer Distribution Business, recorded a turnover of approximately HK$208 million, representing an increase of about 38% when compared to about HK$151 million for the last year. A Power Limited continued to launch consumer electronics products and computer peripherals under the branding of Jt including the earphones and storage memory devices. At the same time, A Power Limited has launched the Jt Freewalker Mobile Hard Disk which further increased the Group's market share in the storage memory market.

IT Outsourcing Services

During the year under review, the IT Outsourcing Services has recorded a turnover of approximately HK$21 million, representing a substantial increase of about 425% when compared to about HK$4 million for the last year. The significant growth was mainly attributed to the restructuring of A Power Limited and AESI (HK) Limited, transferring most of the IT outsourcing Services of small-to-medium enterprises to AESI (HK) Limited. In addition, the prosperous local economy and AESI (HK) Limited being honoured by Microsoft as its golden partner helped the Group's services to gain recognition from clients, advantageous to the development in IT Outsourcing Services.

Liquidity and Financial Resources

The Group has a strong financial foundation. As at 31st March 2008, it had cash and bank balances of approximately HK$42 million (as at 31st March 2007: HK$48 million). About 54% and 25% were denominated in Hong Kong dollars and US dollars respectively. The balance of approximately 7%, 6%, 4%, 3% and 1% of its total cash and bank balances were correspondingly denominated in Malaysia Ringgit, South African Rand, Chinese Renminbi, Singapore dollars and New Taiwan dollars . The Group's total assets amounted to approximately HK$313 million (as at 31st March 2007: HK$319 million). Net assets per share amounted to approximately HK$0.94 (as at 31st March 2007: HK$0.93). Dividend earnings and basic earnings per share were approximately HK$0.045 and HK$0.052 respectively (as at 31st March 2007: HK$0.050 and HK$0.074 respectively).

As at 31st March 2008, the Group had banking facilities for overdrafts, loans and trade finance from several banks totalling approximately HK$272 million (as at 31st March 2007: HK$272 million), with an unused balance of approximately HK$216 million (as at 31st March 2007: HK$213 million).

The Directors believe the Group's existing financial resources are sufficient to fulfill its commitments and working capital requirements.

Capital Structure

As at 31st March 2008, the total borrowings of the Group were approximately HK$56 million (as at 31st March 2007: HK$59 million). These were in the form of short-term bank loans (including short-term loans and trade finance) for financing the daily business operations and future development plans. The Group's bank borrowings as at 31st March 2008 were denominated in Hong Kong dollars. The short-term loans and trade finance were secured by the Company's corporate guarantees of around HK$277 million (as at 31st March 2007: HK$279 million), with a maturity term of two to three months, and such short-term loans can be rolled over afterwards at the Group's discretion. During the year under review, the Group's borrowings bore interest at rates ranging from 2.5% to 6.5% per annum (as at 31st March 2007: 4.6 % to 6.7% per annum).

Gearing ratio

As at 31st March 2008, the Group's gross borrowing, which was repayable within one year, amounted to approximately HK$56 million (as at 31st March 2007: HK$59 million). After deducting cash and cash equivalents of approximately HK$42 million, the Group's net borrowings amounted to approximately HK$14 million (as at 31st March 2007: HK$11 million). Total equity as at 31 st March 2008 was approximately HK$189 million (as at 31st March 2007: HK$186 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, increased to 8% (as at 31st March 2007: 6%).

Exposure To Fluctuations In Exchange Rates

Most of the Group's transactions were denominated in Hong Kong dollars, RMB and US dollars. Given that the exchange rate of Hong Kong dollars against the RMB has been and is likely to under control, the HKSAR Government's policy of linking the Hong Kong dollars to the US dollars remains in effect, the directors consider that the Group's risk on foreign exchange will remain minimal and no hedging or other alternative measures have been undertaken by the Group. As at 31st March 2008, the Group had no significant risk exposure pertaining to foreign exchange contracts, interest rates, currency swaps, or other financial derivatives.

Charges on Assets

The Group did not have any charge on its assets as at 31st March 2008.

Commitments and Contingent Liabilities

As at 31st March 2008, the Group had total outstanding operating lease commitments of approximately HK$18 million (as at 31st March 2007: HK$14 million). In view of the Group's high level of liquid funds, it is expected that the Group will be able to fulfill all these commitments without any difficulty.

The Group had no contingent liabilities as at 31st March 2008.

Employment, Training and Remuneration Policy

As at 31st March 2008, the Group had total of 478 full-time employees. The Group has also developed its human resources policies and procedures based on performance, merits and market conditions. Discretionary bonus is linked to the performance of the Group as well as individual performances. The benefits provided by the Group to its employees include staff accommodation, medical schemes, share option scheme, Mandatory Provident Fund Scheme for employees in Hong Kong, Employee Provident Fund Scheme for employees in Malaysia, Central Provident Fund Scheme for employees in Singapore, and state-sponsored retirement plans for employees in the PRC.

The Group believes learning can enhance the company and staff's competitiveness. Therefore the Group always encourages its staff to take part in various reinforcement programs. The Group has arranged professional coaching courses held by Vocational Training Council aiming to raise the cohesion among staffs, develop their potential, improve their work performance and broaden their horizon. Besides, the Group has arranged practical computer application courses held by Hong Kong Institute of Vocational Education which help its staff to cope with daily computer works.

The Group's business network reaches globally. Since each branch has its own operation mode, the Group believes that each branch has its own strengths to learn from. In order to reinforce interactions and understanding between staff members of different regions, the Group has arranged a tour for Hong Kong management to visit two regional branches in Malaysia and Singapore. During the tour, the Hong Kong participants could have insight observation of the operation mode of other branches as well as their working condition. They also shared the internal control practices in the Hong Kong headquarter with the members of the overseas branches, resulting in mutual benefits.

The Group values its staff members as important assets. To recognize their contributions and to boost their morale, the Group awards certificates to staff members in each department who perform outstandingly for each quarter. It also presents rewards of the best attendance, the cleanest working environment and the greatest breakthrough in sales performance according to staff's attendance record, the sanitation of different departments and the results of sales of all satellites respectively. A number of activities and functions including monthly birthday parties and festival celebrations are regularly held. The Group also presents some gifts during the special festivals such as Mother's Day, Father's Day and Lunar Chinese New Year to staffs. All these activities are designed to strengthen the bonds between staff members and enhance their sense of belonging to the Group.

Social Responsibilities

The Group is committed to contributing to the community, and it fosters a corporate team spirit by encouraging staff to take part in various charitable activities to help the people in need. Every year, the Group participates in the Yan Chai Charity Walk, The Community Chest of Hong Kong and Kowloon Walk and the Hong Kong Red Cross Blood Donation Day and continues to organize a representative team to join the Outward Bound Competition which raises funds for Outward Bound Hong Kong.

In additions, the Group is keen on nurturing the next generation. Apart from participating in the Industrial Attachment Scheme organized by Faculty of Science and Engineering of the City University of Hong Kong every year which provides the university students with summer internship, the Group also provided graduates of the Hong Kong Institute of Vocational Education, the Yan Chai Hospital Tung Chi Ying Memorial Secondary School and HKWMA Chu Shek Lun Secondary School with internship and on-the-job training. The Group believes these opportunities could help the students to equip themselves before stepping into the society.

As continuously and constantly to take part into social charity campaigns, the Group was rewarded the "Caring Company" achievement last year. In the future, the Group will maintain its caring spirit and continuous support for the society as its culture and through developing consecutive strategic cooperation with tertiary educational associations and charity organizations, to contribute to the society.

Directors and Senior Management's Profile

Light up 25

Hung Kim Fung, Measure,
aged 47, Executive Director
was the Group's founder and is the Chairman of the Company. He obtained an Honorary Doctorate in Business Administration from Newport University in the United States. Since 1995, Dr. Hung has been a member of the Executive Committee of the Hong Kong Electronic Industries Association Limited ("HKEIA") and was nominated as Vice-chairman of the Hong Kong Semiconductor Industry Council, a council under the HKEIA in August 2004.

Dr. Hung has more than 27 years of experience in the electronics industry, and he is responsible for the Group's strategic planning and corporate policies. He has served as an Alternate Member of the General Committee of the Federation (2003 – 2009) and as the Vice Chairman of the Hong Kong Trade Services Council of the Federation (2003 – 2009). In addition, since 2004, Dr. Hung has become a Member of the Import/Export/Wholesale Trades Training Board of the Vocational Training Council.

Dr. Hung has been devoted on new products' research and development and cultivating students' entrepreneurship throughout the years. Besides, he has also spent huge efforts on public communication and local education development. He was appointed by City University of Hong Kong as Chairman of FSE Undergraduate Student Synergistic Innovation Scheme and as Honorary Chairman of the Advisory Committee of the Industry Co-operative Education Centre. He has also served as the member of Electronic Engineering Departmental Advisory Committee of City University of Hong Kong (2005 – 2009). Dr. Hung has been appointed as a Current Advisor of the 36th, 37th, 38th, 40th and 41st Yan Chai Hospital Board and serves as the School Manager of the Yan Chai Hospital Tung Chi Ying Memorial Secondary School and De La Salle Secondary School.

Yeung Man Yi, Beryl,
aged 46, Executive Director
was the founder of the Group and is the Chief Executive Officer of the Company. With more than 27 years of experience in the electronics industry, Ms. Yeung is responsible for the Group's finance, administration and internal control. She is the wife of the Group's Chairman, Dr. Hung Kim Fung, Measure.

In 2004, Ms. Yeung was also made an Associate (Electronics Industry) by The Professional Validation Council of Hong Kong, in recognition of her professional knowledge in electronics, extensive application of existing and new technology, achievements and contributions to the industry. In December 2004, Ms. Yeung became a Full Member and received professional qualifications from the Executive Council of Canadian Chartered Institute of Business Administration, and she was thereby designated as Chartered Manager. In 2006, Ms. Yeung acquired the Fellowship of Business Administration and became a Fellow Member of Asian Knowledge Management Association. In the same year, Ms. Yeung obtained the Master Degree of Business Administration from Lincoln University.

Ms. Yeung has actively supported tertiary educational activities in recent years. Whilst serving as an Industrial Advisor at a course of 'Master of Arts in Operations and Supply Chain Management' of the City University of Hong Kong in 2006, she also conducted a seminar entitled "Teambuilding with Friends and Foes" for the University's Electronic Engineering students on 18th February 2008. In recognition of her valuable experience and knowledge in the electronics engineering industry, she was invited to be the Adjunct Professor in the Department of Electronic Engineering, City University of Hong Kong in 2007.

Hung Ying Fung,

aged 44, Executive Director

was the founder of the Group and is an executive director of the Company. He is responsible for the management and the computer retail business development of the Group and has over 22 years of experience in the electronics industry. In 2001, he was nominated as the director of the Chamber of Hong Kong Computer Industry Company Limited. Mr. Hung was nominated as an executive member of the Sham Shui Po District Commerce & Industrial Liaison Committee (2006 – 2008), Sham Shui Po District Fight Crime Committee (2006 – 2008), the CLP Local Customer Advisory Committee of Sham Shui Po District Tenure of Office (2005 – 2008) and the member of Sub-committee on Promotion of Corporate Volunteering of Social Welfare Department (2008 – 2010). He is the brother of Dr. Hung Kim Fung, Measure.

Yeung Kwok Leung, Allix,

aged 45, Executive Director

was the founder of the Group and is an executive director of the Company. Mr. Yeung is responsible for the management and business development of the retail business in PRC of the Group. He has over 22 years of experience in the electronics and computer industry. He is the brother of Ms. Yeung Man Yi, Beryl.

Charles E. Chapman,

aged 59, Independent Non-executive Director

is an independent non-executive director of the Company. He was executive director of HKEIA and managing director of the HKEIA's subsidiary publishing company, the Hong Kong Electronics Promotions Ltd. from May 1988 to June 2007 when he retired. Currently Mr. Chapman is a senior industry consultant for a number of overseas-based trade fair organizers. Prior to joining HKEIA, Mr. Chapman worked for 12 years as economics editor at the Hong Kong Trade Development Council and for 8 years as business editor in a local english-language newspaper.

Leung Wai Cheung,

aged 43, Independent Non-executive Director

is an independent non-executive director of the Company. He is currently the chief financial officer of FlexSystem Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange and the independent non-executive director of Wing Hing International (Holdings) Limited, Sino Prosper Holdings Ltd, China Metal Resources Holdings Limited and Far East Pharmaceutical Technology Company Limited which are listed companies on the Stock Exchange of Hong Kong. Dr. Leung is qualified accountant and chartered secretary with over 21 years of experience in accounting, auditing and financial management. He graduated from Curtin University with a Bachelor of Commerce Degree majoring in accounting and subsequently obtained a postgraduate diploma in corporate administration, Master of Professional Accounting from the Hong Kong Polytechnic University, Doctor of Philosophy Degree in Management from the Empresarial University of Costa Rica and Doctor of Education in Educational Management from Bulacan State University. He is an associate member of each of the Hong Kong Institute of Certified Public Accountants, CPA Australia, the Institute of Chartered Accountants in England & Wales, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute Secretaries and the Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants. Apart from a professor of European University, Dr. Leung is also a visiting lecturer of the Open University of Hong Kong (LiPACE) and Hong Kong University (SPACE).

Chow Shek Fai,

aged 57, Independent Non-executive Director

is an independent non-executive director of the Company appointed on 18th August 2004. He graduated from The Chinese University of Hong Kong with a Bachelor Degree of Social Science and subsequently obtained a diploma of education there. He had served in De La Salle Secondary School, New Territories for 29 years. In the last ten years of his service in De La Salle, he was both principal and registered member of the management board. He had been the registered member of the management board of Lo Wu Public School for years. In addition, Mr. Chow also held a number of education and community positions, member of the management board of the Hong Kong Schools Sports Federation (HKSSF), vice-chairman of the executive committee as well as the chairman of the competition committee of the HKSSF (Tai Po & North Districts) and senator of Hong Kong Professional Teachers' Union. He had been the elected village representative of Lo Wu Village, Ta Kwu Ling from 1999 to 2007.

Wan Lam Keng,

aged 45, Senior Management

is the senior business manager of the Group. Ms. Wan joined the Group in June 1988 and has over 20 years of experience in retailing and trading business. She is responsible for the Group's Urgent Requirement Service division. She is the wife of Mr. Yeung Kwok Leung, Allix.

Lee Yiu Kong, Winson,

aged 47, Senior Management

is the general sales manager of the Group. Before he joined the Group in June 1991, he had over 12 years of experience in customer service in the banking industry. He is responsible for the sales and marketing of the electronic components of the Group.

Ho Siu Wan,

aged 40, Senior Management

is the financial controller of the Group. She is responsible for the financial management as well as human resources functions of the Group. Ms. Ho holds a professional diploma in accountancy from the Hong Kong Polytechnic University. She is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. She joined the Group in May 2001 and has over 18 years of experience in auditing, accounting, taxation and financial management.

Yeung Kin Kwan, Alvan,

aged 40, Senior Management

is the company secretary and the principal advisor to the board of directors of the Company. Mr. Yeung holds a professional diploma in accountancy from the Hong Kong Polytechnic University. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the IT Accountants Association and the Hong Kong Institute of Directors. He is also an associate member of the Institute of Chartered Accountants in England and Wales and the Taxation Institute of Hong Kong and the full member of the Singapore Institute of Directors. He has over 18 years of experience in auditing, accounting, taxation and financial management.

Tsang Ka Man,

aged 39, Senior Management

is the sales & marketing director of Milliard Devices Limited and Conwise Power Limited. Mr. Tsang graduated from the University of Sunderland with a Bachelor (Hons) Degree in Digital Systems and Electronic Engineering. Before he joined the Group in September 2001, he worked for a number of integrated circuit, semiconductors, sensors, radio frequency & passive components companies as sales and marketing manager. He is responsible for sales and marketing activities of integrated circuit, sensors, radio frequency integrated circuit & passive components of the Company in both H.K., China & South-East Asia market.

Cheung Kam Wa,
aged 43, Senior Management
is the managing director of Arkia Advance Limited. Mr. Cheung graduated from the City University of Hong Kong with a Bachelor (Hons) Degree in Electronic Engineering. Before he joined the Group in September 2001, he has over 16 years' experience in electronics components distribution. He is responsible for the sales, marketing, engineering and operation control of the electronics components business of the Company.

Lam Kam Wo,
aged 51, Senior Management
is the managing director of DV Power Limited. Mr. Lam graduated from the Hong Kong Polytechnic University with a higher certificate in electronic engineering and hold a certificate of management studies as well. Besides, he completed a MBA course in University of East Asia, Macau. Before he joined the Group in November 2001, he had operated his component trading business for 17 years. Mr. Lam possessed remarkable sales and marketing experience in electronic industry for over 26 years.

Lam Sun Hung,
aged 39, Senior Management
is the general sales director of APower Holdings Limited. He has engaged in the IT industry for more than 20 years and has in depth understanding on the market trend and market demand. He has earned rich and solid experiences on the operation of products agentship and distribution. Mr. Lam joined the Group in April 2002 and is focusing on the development of agent line product and solutions service business. Recently, Mr. Lam has started to take part in the industry of environmental protection and energy conservation and to lead the Group into the environmental protection market.

Low Mee Seng, Wesley,
aged 40, Senior Management
is the general manager of Mobicon-Remote Electronic Sdn Bhd in Malaysia. He was graduated from TAFE College in Malaysia with a diploma in electrical and electronic. Before joining the Group in July 2001, he has a combined experience of more than 18 years in sales and marketing, manufacturing and purchasing and he is now responsible for the overall operation of the Company.

Manny Moutinho,
aged 50, Senior Management
is the Chief Executive Officer of the Group's South Africa operations. Mr. Moutinho qualified in electronics and has a business management diploma from Wits University Business School and has over 23 years experience in the electronic industry, mostly in components distribution. Mr. Moutinho was the founder of Mantech in South Africa and he joined the Group in December 2001, through our merger with Mantech in South Africa.

Li Yiu Leung, Franky,
aged 42, Senior Management
is the senior business manager of Mobicon-Remote Electronic Pte Ltd. in Singapore. Mr. Li graduated from the University of Western Ontario with a Bachelor Degree in Electronic Engineering. Before he joined the Group in April 2000, he has over 15 years of experience in manufacturing, engineering and sales and marketing in various industries. He is responsible for the business development of the Company.

Corporate Governance Report

Corporate Governance Practices

The Board of Directors is committed to principles of corporate governance practices and procedures. The corporate governance principles of the Company emphasize transparency, accountability and independence.

The Company has complied with the Code Provisions as set out in the Code of Corporate Governance Practices ("CGP") in Appendix 14 to the Listing Rules during the year under review except for the following deviations:

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. Before July 2007, the Company did not have a separate Chairman and Chief Executive Officer as Dr. Hung Kim Fung, Measure held both positions. The Board believed that vesting the roles of Chairman and Chief Executive Officer in the same individual provided the Group with strong and consistent leadership in the development and execution of long-term business strategies. On 18th July 2007, Ms. Yeung Man Yi, Beryl has been appointed as the Chief Executive Officer ("CEO") of the Company to comply with this code provision.

According to Bye-law 115, any director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next annual general meeting of the Company and shall retire and be subject to re-election. These deviate from the Code Provision A.4.2 of CGP which requires all directors appointed to fill casual vacancy be subject to election by shareholders at the first general meeting after their appointment. Having reviewed Bye-law 115, the Board considers that the requirement under Bye-law 115 is similar to the that required under the said Code Provision. Code Provision A.4.2 also provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Though the Chairman will not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire, as continuation is a key factor to the successful implementation of any long term business plan, the Board believes that present arrangement is most beneficial to the Company and the shareholders as a whole.

The independent non-executive directors of the Company ("INEDs") are not appointed for specific terms but are subject to retirement by rotation under Bye-law 111 of the Company's Bye-laws.

Directors' Securities Transactions

The Company has adopted its own Securities Dealing Code on terms no less exacting than the required standard as set out in the Model Code in Appendix 10 to the Listing Rules. Upon specific enquiry by the Company, all Directors have confirmed that they fully complied with the required standard set out in the Securities Dealing Code throughout the year under review.

Board of Directors

The Board is collectively responsible for overseeing the management of the business and affairs of the Group with the objective of enhancing share value.

The Board comprises a total of seven Directors, with four Executive Directors, namely Dr. Hung Kim Fung, Measure (Chairman), Ms. Yeung Man Yi, Beryl (CEO), Mr. Hung Ying Fung and Mr. Yeung Kwok Leung, Allix and three INEDs, namely, Mr. Charles E. Chapman, Dr. Leung Wai Cheung and Mr. Chow Shek Fai. One of the INEDs has appropriate professional qualifications, or accounting or related financial management expertise, which is required by the Listing Rules. Ms. Yeung Man Yi, Beryl is the wife of Dr. Hung Kim Fung, Measure. She is also the sister of Mr. Yeung Kwok Leung, Allix. Mr. Hung Ying Fung is the brother of Dr. Hung Kim Fung, Measure.

Each of the INEDs has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The Board composition will be reviewed regularly to ensure that it has a balance of skills and experience appropriate for the requirements of the business of the Group. The Directors' biographical information is set out on pages 11 to 13.

The position of the Chairman and Chief Executive Officer are held by separate individuals. Such division of responsibilities helps to reinforce their independence and accountability.

The Board, led by the Chairman, is responsible for the approval and monitoring of the Group's long term and short term investments, business strategies and annual budgets, evaluating the performance of the Group and oversight of the management. One of the important roles of the Chairman is to provide leadership to the Board such that the Board acts in the best interests of the Group. The Chairman shall ensure that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed and approved by the Board before execution. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary. With the support of the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and adequate and reliable information is given to the Board in a timely manner.

The CEO is responsible for the implementation of corporate goals, business strategies and policies resolved by the Board from time to time. The CEO assumes full accountability to the Board in respect of the Group's operations.

The Company Secretary shall convene a Board meeting on the request of any one Director and 14 days' notice of Board meeting will be given to all Directors. The Company Secretary shall circulate the Board papers not less than three days before the Board meeting to enable the Directors to clearly understand and make informed decisions of all on matters to be raised, discussed and resolved at the Board meetings. The Company Secretary and Qualified Accountant shall attend all regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. The Directors shall have full access to information on the Group and arrangement has been in place to enable Directors to obtain independent professional advice whenever deemed necessary. The Company Secretary shall prepare minutes and keep records of matters discussed and decisions resolved at all Board meetings.

Four regular Board meetings of the year under review were scheduled in advance at approximately quarterly intervals and two Board meetings had been convened by the Chairman to discuss one continuing connected transaction and one connected transaction which were required to be disclosed under the Listing Rules. The Directors can attend meetings in persons or by means of a conference telephone or other communications facilities in accordance with Bye-law 136 of the Company's Bye-laws.

The senior management is responsible for the daily operations of the Group under the leadership of the Board. To this end, the senior management has to implement, follow up and monitor the business plans, internal control and corporate governance practices developed by the Board.

Appointment and Re-election of Directors

There is no specific term of the appointment of INEDs. But they are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provision of the Bye-laws of the Company. This deviates from the Code Provision A.4.1 of CGP which requires that non-executive directors be appointed for specific terms subject to rotation and re-election by shareholders. The Board considers that this current practice is fair and reasonable and does not intend to change this practice at the moment.

According to Bye-law 111 of the Company's Bye-laws, one third of the Directors for the time being (excluding the Chairman of the Board) shall retire from office by rotation at each annual general meeting. Currently, three Directors are subject to retirement by rotation at the annual general meeting. On the basic that there is no addition to the Board and there is no unforeseen resignation/retirement during a year, each Director (other than the Chairman) is effectively subject to retirement by rotation once every two years.

Remuneration Committee and Directors' Remuneration

The Remuneration Committee was established on 20th February 2006 to determine the remuneration structure of the executive Directors and senior management. Its current members include Ms. Yeung Man Yi, Beryl, Dr. Leung Wai Cheung and Mr. Chow Shek Fai. Ms Yeung is Chairman of the Remuneration Committee.

The main responsibilities of the Remuneration Committee are as follows:

(a) to decide, with consultation with the Chairman of the Board, where to position the Company relative to others in terms of remuneration level and board composition;

(b) to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments;

(c) to make recommendations to the Board on the remuneration of non-exeutive directors;

(d) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(e) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment;

(f) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct.

During the year, the Remuneration Committee continued to adopt the management bonus package mechanism of executive Directors which provides that the aggregate amount of management bonuses payable to all Directors in respect of any financial year of the Company shall not exceed 30 per cent. of the Excess. The "Excess" means the excess amount to be arrived at by deducting HK$35 million from the net profit of the Company (after taxation and minority interests and payment of management bonuses to all directors for the time being of the Company but excluding extraordinary and exceptional items).

Nomination of Directors

The Company does not have a nomination committee but will consider setting up one at an appropriate time. Currently all new appointments and re-appointments to the Board are subject to the concurrence of all Board members whose deliberations are based on the following criteria:

- Integrity
- Independent mindedness
- Possess core competencies that meet the current needs of the Company and complement the skills and competencies of the existing Directors on the Board
- Able to commit time and effort to carry out duties and responsibilities effectively
- A good track record of experience at a senior level in corporations/organizations
- Financially literate

Audit Committee

The current members of the Audit Committee include: Mr. Charles E. Chapman, Dr. Leung Wai Cheung and Mr. Chow Shek Fai. Dr. Leung is Chairman of the Audit Committee.

All members of the Audit Committee are the INEDs. One member has appropriate professional qualifications, accounting and related financial management expertise as required under the Listing Rules. None of them is employed by or otherwise affiliated with former or existing auditors of the Company.

The Audit Committee held four meetings during the year under review. The minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate.

The major duties of the Audit Committee are as follows:

(i) to consider the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal of the external auditors;

(ii) to discuss with the external auditors before the audit commences, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;

(iii) to review the half year and annual financial statements before submission to the Board;

(iv) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);

(v) to review the external auditor's management letter and management's response;

(vi) to review the Company's statement on internal control systems prior to endorsement by the Board; and

(vii) to consider the major findings of internal investigations and management's response; and to consider other topics, as defined by the Board.

During the meetings held in the year under review, the Audit Committee had performed the following work:

(i) reviewed annual results and the financial reports for the year ended 31st March 2008 and the interim results and the financial reports for the six months ended 30th September 2007;

(ii) reviewed the accounting principles and practices adopted by the Group and ensured the Company to comply with the Listing Rules and other statutory compliance;

(iii) reviewed the effectiveness of internal control system;

(iv) reviewed the external auditors' management letter and management's response;

(v) reviewed and recommended for approval to the Board the 2007/2008 audit scope and auditors' remuneration; and

(vi) reviewed the connected transactions entered into by the Group during the year under review.

Attendance of Individual Directors

The attendance of individual Directors at the Board, Audit Committee and Remuneration Committee meetings is set out in the table below.

	Meetings attended/hold in 2007/2008		
Name of Director	Board	Audit Committee	Remuneration Committee
Dr. Hung Kim Fung, Measure	6/6	N/A	N/A
Ms. Yeung Man Yi, Beryl	6/6	N/A	1/1
Mr. Hung Ying Fung	6/6	N/A	N/A
Mr. Yeung Kwok Leung, Allix	6/6	N/A	N/A
Mr. Charles E. Chapman	5/6	3/4	N/A
Dr. Leung Wai Cheung	6/6	4/4	1/1
Mr. Chow Shek Fai	6/6	4/4	1/1

Auditors' Remuneration

For the year ended 31st March 2008, the remuneration paid to the Company's auditors, HLB Hodgson Impey Cheng, is set out as follows:

Services rendered	Fee paid/payable HK$'000
Audit services	500
Non-audit services – Taxation	110
Non-audit services – Interim review	100
	710

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group.

As at 31st March 2008, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditors' Report on page 29.

Internal Control

The Board is responsible for maintaining effective internal control systems of the Group. The Group's system of internal control includes a defined management structure with limits of authority, is designed to evaluate the Group's risk, achieve the division goals and business objectives, maintain proper accounting records for the provision of financial information for internal analysis or for publication, comply with relevant legislation and regulations.

During the year, the Directors had conducted a review of the effectiveness of the systems of internal control in respect of the financial, operational, compliance controls and risk management function of the Group.

Investors Relations and Communications

The Company establishes different communication channels with shareholders and investors: (i) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board, (ii) updated company news and published announcements of the Group are available on the websites of the Stock Exchange and the Company and (iii) different electronic means are opened to the shareholders and investors for communication channel and investors relations contact is disclosed on page 2 of this annual report and the Company's website.

Report of the Directors

The directors submit their report together with the audited financial statements of Mobicon Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31st March 2008.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in the trading and distribution of electronic parts, components and equipment and computer products and accessories.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31st March 2008 are set out in the consolidated income statement on page 30.

The directors have declared an interim dividend of HK2.5 cents per ordinary share, totalling HK$5,000,000, which was paid on 25th January 2008.

The directors recommend the payment of a final dividend of HK2 cents per ordinary share, totalling HK$4,000,000 in respect of the year ended 31st March 2008.

Closure of Register of Members

The Register of Members of the Company will be closed from 18th August 2008 to 21st August 2008, during which no transfer of shares will be effected, and the final dividend will be paid on 28th August 2008. In order to qualify for the final dividend, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Hong Kong Registrars Limited at its office situated at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 15th August 2008.

Share Capital

Details of the movements in the share capital of the Company during the year are set out in Note 24 to the financial statements.

Reserves

Details of the movements in the reserves of the Company and of the Group during the year are set out in Note 25 to the financial statements and in the consolidated statement of changes in equity, respectively.

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK$288,000.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group are set out in Note 14 to the financial statements.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's bye-laws and there is no restriction against such rights under the laws in Bermuda.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the year ended 31st March 2008.

Directors

The directors who held office during the year and up to the date of this report were:

Executive directors

Dr. Hung Kim Fung, Measure (Chairman)
Ms. Yeung Man Yi, Beryl (Chief Executive Officer appointed on 18th July 2007)
Mr. Hung Ying Fung
Mr. Yeung Kwok Leung, Allix

Independent non-executive directors

Mr. Charles E. Chapman
Dr. Leung Wai Cheung
Mr. Chow Shek Fai

Mr. Hung Ying Fung, Mr. Charles E. Chapman and Dr. Leung Wai Cheung retire by rotation under the Company's bye-laws and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

Each of the executive directors of the Company has entered into a service contract with the Company for an initial fixed term of three years commencing from 1st April 2001, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Save as disclosed above, none of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Share Option Scheme

On 8th August 2003, the Company adopted a new share option scheme (the "New Share Option Scheme"), pursuant to which the eligible persons may be granted options to subscribe for shares of the Company (the "Shares") upon and subject to the terms and conditions of the rules of the New Share Option Scheme. The New Share Option Scheme is in line with current Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The New Share Option Scheme is set up for the purpose of recognising and motivating the contribution of the eligible persons to the Company and/or any of its subsidiaries (the "Subsidiary") and or any entity in which the Group holds any equity interest ("the Invested Entity"). Pursuant to the New Share Option Scheme, the board of directors of the Company (the "Board") may grant options to (aa) any employee (whether full time or part time including any executive director but excluding any non-executive director) of the Company, any Subsidiary or any Invested Entity; (bb) any non-executive director (including the independent non-executive director) of the Company, any Subsidiary or any Invested Entity; (cc) any supplier of goods or services to any member of the Company, any Subsidiary or any Invested Entity; (dd) any customer of the Company, any Subsidiary or any Invested Entity; (ee) any person or entity that provides research, development or other technological support to the Company, any Subsidiary or any Invested Entity; (ff) any shareholder of any member of the Company, any Subsidiary or any Invested Entity or any holder of any securities issued by any member of the Company, any Subsidiary or any Invested Entity; (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Company, any Subsidiary or any Invested Entity; and (hh) any joint venture partner or business alliance that co-operates with any member of the Company, any Subsidiary or any Invested Entity in any area of business operation or development.

Share Option Scheme *(Continued)*

The total number of Shares available for issue under options which may be granted under the New Share Option Scheme must not exceed 20,000,000 Shares, representing 10 per cent of the Shares in issue as at the date of this report. No option may be granted to any one person in any 12-month period which, if exercised in full, would result in the total number of Shares already issued to him/her under all the options previously granted to him/her which have been exercised and, issuable to him/her under all the options previously granted to him/her which are for the time being subsisting and unexercised, exceeding 1% of the share capital of the Company in issue on the last date of such 12-month period unless approval by the shareholders of the Company in a general meeting with such person and his/her associates abstaining from voting has been obtained in accordance with the Listing Rules.

Subject to the provisions governing expiry of options, an option may be exercised during the period to be notified by the Board to each grantee but shall in any event not more than 10 years from the date of grant of the option. The Board has discretion to set a minimum period for which an option has to be held before the exercise of the subscriptions rights attaching thereto. A consideration of HK$1.00 is payable on acceptance of the offer of grant of options. The subscription price for Shares under the New Share Option Scheme will be a price determined by the Board and notified to each grantee and will not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of the Shares. Subject to the termination provisions, the New Share Option Scheme shall remain in force for a period of 10 years commencing on the date of its adoption.

Since the adoption, no options have been granted under the New Share Option Scheme up to the date of this report.

Directors' Interests in Equity and Debt Securities

As at 31st March 2008, the interests and short positions of each director and chief executive of the Company and his/her associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(i) Ordinary shares of HK$0.10 each in the Company

		Number of shares			
Name of Director	**Long/short position**	**Personal interests**	**Family interests**	**Total interests**	**Percentage**
Dr. Hung Kim Fung, Measure	Long	–	90,000,000 (Note a)	90,000,000	45%
Ms. Yeung Man Yi, Beryl	Long	–	90,000,000 (Note a)	90,000,000	45%
Mr. Hung Ying Fung	Long	25,022,000	–	25,022,000	12.51%
Mr. Yeung Kwok Leung, Allix	Long	–	30,000,000 (Note b)	30,000,000	15%

Directors' Interests in Equity and Debt Securities *(Continued)*

(i) Ordinary shares of HK$0.10 each in the Company *(Continued)*

Notes:

(a) 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 Dr. 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, which are ultimately held by Trident Trust Company (Cayman) Limited as trustee for the benefit and upon trust for the Measure & Beryl Trust, which is a discretionary trust.

(b) 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, which are ultimately held by Trident Trust Company (Cayman) Limited as trustee for the benefit and upon trust for the Trinity Trust, which is a discretionary trust.

(ii) Non-voting deferred shares of HK$1.00 each in a subsidiary – A Plus Electronic Company Limited ("A Plus")

As at 31st March 2008, each of Dr. Hung Kim Fung, Measure, Ms. Yeung Man Yi, Beryl, Mr. Hung Ying Fung and Mr. Yeung Kwok Leung, Allix has beneficial interests in his/her personal capacity in the following number of non-voting deferred shares in A Plus:

Name of directors	Long/short position	Number of non-voting deferred shares	Percentage
Dr. Hung Kim Fung, Measure	Long	300,000	30%
Ms. Yeung Man Yi, Beryl	Long	300,000	30%
Mr. Hung Ying Fung	Long	200,000	20%
Mr. Yeung Kwok Leung, Allix	Long	200,000	20%

Save as disclosed above and other than certain non-beneficial ordinary shares of the subsidiaries held in bare trust for the Group, as at 31st March 2008, none of the directors or the chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

Save as disclosed above and under the section headed "Share Option Scheme", at no time during the year, the directors and the chief executive of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and under the section headed "Share Option Scheme", at no time during the year was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its holding company a party to any arrangements to enable the directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of the SFO).

Model Code for Securities Transactions

During the year, the Company had adopted a Code of Conduct regarding directors' transactions in securities of the Company on terms no less exacting than the required standard set out in the Model Code under Appendix 10 to the Listing Rules. Having made all reasonable enquires with the directors of the Company, the Company was of view that the directors had complied with the said Code of Conduct throughout the year.

Directors' Interests in Contracts

Save as disclosed in Note 29 to the financial statements, no contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Interests of Substantial Shareholders and Other Persons in the Share Capital of the Company

As at 31st March 2008, so far as is known to the directors of the Company, the following persons (other than a director or the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

		Number of shares			
Name	**Long/short position**	**Trusts and similar interests**	**Beneficial owner**	**Total interests**	**Percentage**
M2B Holding Limited	Long	–	90,000,000 (Note (a))	90,000,000	45%
Action 2 Limited	Long	90,000,000 (Note (a))	–	90,000,000	45%
Bestmark Management Limited	Long	–	30,000,000 (Note (b))	30,000,000	15%
Holford Group Corporation	Long	30,000,000 (Note (b))	–	30,000,000	15%
Trident Trust Company (Cayman) Limited	Long	120,000,000 (Notes (a) & (b))	–	120,000,000	60%

Notes:

(a) Please refer to Note (a) under the section headed "Directors' Interests in Equity and Debt Securities". The interests of M2B Holding Limited, Action 2 Limited and part of the interests of Trident Trust Company (Cayman) Limited were in respect of the same 90,000,000 shares and duplicated each other.

(b) Please refer to Note (b) under the section headed "Directors' Interests in Equity and Debt Securities". The interests of Bestmark Management Limited, Holford Group Corporation and part of the interests of Trident Trust Company (Cayman) Limited were in respect of the same 30,000,000 shares and duplicated each other.

Save as disclosed above, as at 31st March 2008, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Customers and Suppliers

During the year, the Group purchased less than 30% of its goods and services from its five largest suppliers and sold less than 30% of its goods to its five largest customers.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Connected Transactions

Certain related party transactions disclosed in Note 29 to the financial statements also constituted continuing connected transactions and connected transaction for the purpose of Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Details of such connected transactions are as follows:

Continuing connected transactions

1. The Group occupies the following shops and premises leased from M-Bar Limited ("M-Bar"). M-Bar is a company beneficially owned as to 30% by Dr. Hung Kim Fung, Measure, 30% by Ms. Yeung Man Yi, Beryl, 20% by Mr. Hung Ying Fung and as to the remaining 20% by Mr. Yeung Kwok Leung, Allix, all of whom being the executive directors of the Company, and is principally engaged in property holding.

   (a) On 2nd April 2001, Mobicon Holdings Limited ("MHL"), a wholly-owned subsidiary of the Company, had entered into certain leases which were subsisting during the year under review (the "Subsisting Leases") with M-Bar in respect of Private Car Parking Space Nos. 6, 7, 24 and 25 on 3rd Floor, Private Car Parking Space Nos. 6 and 13 on 4th Floor, Units 1–11 on 7th Floor, Units 1–4 on 8th Floor and Units 5–9 on 23rd Floor, New Trend Centre, 704 Prince Edward Road East, 104 King Fuk Street, San Po Kong, Kowloon (collectively, the "Properties") for a term of five years from 1st February 2001 to 31st January 2006 at an aggregate monthly rental of HK$156,000. MHL exercised the option to renew the Subsisting Leases and on 11th May 2006, entered into a new lease with M-Bar in respect of the Properties for a term from 1st February 2006 to 30th June 2008 at an aggregate monthly rental of HK$168,000. On 11th February 2008, MHL entered into a termination agreement (the "Termination Agreement") with M-Bar to early terminate the tenancy agreement dated 11th May 2006 with original expiry date of 30th June 2008, and entered into a new tenancy agreement (the "New Tenancy Agreement") of the same premises with M-Bar for a term of three years commencing from 1st February 2008 to 31st January 2011 at an aggregate monthly rental of HK$168,000. The leased premises are used as the headquarters of the Group and ancillary use.

   (b) On 20th October 2004, MHL entered into a lease agreement with M-Bar in respect of Units 1–4 on 23rd Floor, New Trend Centre, 704 Prince Edward Road East, 104 King Fuk Street, San Po Kong, Kowloon for a term of three years from 1st July 2005 to 30th June 2008 at a monthly rental of HK$45,000. On 11th February 2008, MHL entered into the Termination Agreement with M-Bar to early terminate the tenancy agreement dated 20th October 2004 with original expiry date of 30th June 2008, and entered into the New Tenancy Agreement of the same premises with M-Bar for a term of three years commencing from 1st February 2008 to 31st January 2011 at an aggregate monthly rental of HK$45,000. The leased premises are used for office purpose.

   (c) On 1st February 2005, Videocom Technology (HK) Limited ("Videocom"), an indirect 80%-owned subsidiary of the Company, entered into certain lease agreements with M-Bar in respect of Unit No.32, 1st Floor, Golden Shopping Centre, Golden Building, 94A Yen Chow Street, Shamshuipo, Kowloon, Hong Kong and Shop Nos. 7, 8, 32 and 36, 1st Floor, Wonder Building, Nos.161–175 Fuk Wa Street, Shamshuipo, Kowloon, Hong Kong for a term of 3 years from 1st February 2005 to 31st January 2008 at an aggregate monthly rental of HK$53,000. On 11th February 2008, Videocom entered into a new tenancy agreement with M-Bar to renew the tenancies in respect of the same premises for a term from 1st February 2008 to 31st January 2011 at an aggregate monthly rental of HK$29,000. The leased premises are used for shop purpose.

Connected Transactions *(Continued)*

Continuing connected transactions *(Continued)*

(d) On 3rd December 2005, MHL entered into certain lease agreements with M-Bar in respect of 1st Floor and Portion of 3rd Floor, Efficiency House, 35 Tai Yau Street, San Po Kong, Kowloon, Hong Kong for a term of 3 years from 1st October 2005 to 30th September 2008 at an aggregate monthly rental of HK$105,000. On 11th February 2008, MHL entered into the Termination Agreement with M-Bar to early terminate the tenancy agreement dated 3rd December 2005 with original expiry date of 30th September 2008, and entered into the New Tenancy Agreement of the same premises with M-Bar for a term of three years commencing from 1st February 2008 to 31st January 2011 at an aggregate monthly rental of HK$105,000. The leased premises are used as storage with ancillary office (in respect of 1st Floor) and godown for storage (in respect of Portion of 3rd Floor).

(e) On 11th February 2008, Videcom entered into the tenancy agreement as mentioned in sub-paragraph (c) above with M-Bar in respect of Unit No. 69, 1st Floor, Golden Shopping Centre, 94A Yen Chow Street, Shamshuipo, Kowloon, Hong Kong for a term of 3 years from 1st February 2008 to 31st January 2011 at a monthly rental of HK$28,000. The leased premise is used for shop purpose.

During the year, the Group paid rental expenses amounting to HK$4,060,000 (Note 29) to M-Bar.

2. On 1st October 2005, Videocom as tenant entered into certain lease agreements with Mr. Yeung Kwok Leung, Allix ("Mr. Allix Yeung"), the executive director of the Company, in respect of Shop Nos.13 and 14, Ground Floor, Wonder Building, Nos.161–175 Fuk Wa Street, Shamshuipo, Kowloon, Hong Kong for a term of 3 years from 1st October 2005 to 30th September 2008 at an aggregate monthly rental of HK$11,000. On 11th February 2008, Videocom entered into a termination agreement with Mr. Allix Yeung to early terminate the tenancy agreement dated 1st October 2005 with original expiry date of 30th September 2008, and entered into a new tenancy agreement of the same premises with Mr. Allix Yeung for a term of three years commencing from 1st February 2008 to 31st January 2011 at an aggregate monthly rental of HK$11,000. The leased shops are used for retail shop purpose.

   During the year, the Group paid rental expenses amounting to HK$132,000 (Note 29) to Mr. Allix Yeung.

3. On 1st October 2005, Videocom as tenant entered into certain lease agreements with Madam Wan Lam Keng, the wife of Mr. Allix Yeung in respect of Shop Nos. 8 and 15, Ground Floor, Wonder Building, Nos.161–175 Fuk Wa Street, Shamshuipo, Kowloon, Hong Kong for a term of 3 years from 1st October 2005 to 30th September 2008 at an aggregate monthly rental of HK$8,500. On 11th February 2008, Videocom entered into the termination agreement as mentioned in paragraph (2) above with Madam Wan Lam Keng to early terminate the tenancy agreement dated 1st October 2005 with original expiry date of 30th September 2008, and entered into a new tenancy agreement of the same premises with Madam Wan Lam Keng for a term of three years commencing from 1st February 2008 to 31st January 2011 at an aggregate monthly rental of HK$8,500. The leased shops are used for retail shop purpose.

   During the year, the Group paid rental expenses amounting to HK$102,000 (Note 29) to Madam Wan Lam Keng.

The directors (including the independent non-executive directors) consider these continuing connected transactions have been conducted in the ordinary and usual course of business of the Group on normal commercial terms and continuation of these transactions in the future will be beneficial to the Group.

These continuing connected transactions have also been reviewed by the independent non-executive directors of the Company who have confirmed that such continuing connected transactions have been (a) entered into by the Group in the ordinary and usual course of business of the Group; (b) conducted on normal commercial terms; and (c) entered into in accordance with the terms of the lease agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The independent non-executive directors of the Company have also confirmed that the aggregate value of the transactions were within the respective maximum amounts as agreed with the Stock Exchange.

The auditors of the Company have also confirmed to the Board that these continuing connected transactions have received the approval of the Board and have been entered into in accordance with the terms of the lease agreements governing the transactions. The auditors of the Company have also confirmed that the aggregate value of the transactions were within the respective maximum amounts as agreed with the Stock Exchange.

Connected Transactions *(Continued)*

Connected transaction

On 15 October 2007, Partners 2 Limited, a wholly-owned subsidiary of the Company, had entered into an agreement for the acquisition of 25% of the issued share capital of MCU Power Limited ("MCU Power"), a then 75%-owned subsidiary of the Company from Kong Tat Asia Limited ("Kong Tat") for an aggregate consideration of HK$305,177 in cash. Kong Tat was a substantial shareholder of MCU Power before the acquisition and, is controlled by Mr. Yan Chi Kuen, a former director of MCU Power within the preceding 12 months. This acquisition allowed the Group to have the full control over the business operations of MCU Power following the cessation of Kong Tat and Mr. Yan Chi Kuen as the shareholder and director of MCU Power respectively.

Distributable Reserves

Under the Companies Act 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 realizable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

Distributable reserves of the Company as at 31st March 2008 amounted to approximately HK$72,178,000 (2007: HK$73,300,000).

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out on page 74.

Auditors

Messrs. HLB Hodgson Impey Cheng were appointed as auditors of the Company to fill the casual vacancy created by the resignation of Messrs. PricewaterhouseCoopers with effect from 9th December 2005. Save as aforesaid, there had been no other changes of the Company's auditors in the past three financial years.

A resolution for the reappointment of Messrs. HLB Hodgson Impey Cheng as the auditors of the Company for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the board of directors,

Hung Kim Fung, Measure
Chairman

Hong Kong, 21st July 2008

Independent Auditors' Report

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Independent Auditors' Report
to the Shareholders of
Mobicon Group Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Mobicon Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 73, which comprise the consolidated and company balance sheets as at 31st March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 21st July 2008

Consolidated Income Statement

For the year ended 31st March 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	5	**933,364**	1,006,767
Cost of sales		**(794,009)**	(859,680)
Gross profit		**139,355**	147,087
Other income	6	**1,450**	749
Distribution and selling expenses		**(47,533)**	(47,438)
General and administrative expenses		**(69,767)**	(71,235)
Operating profit	7	**23,505**	29,163
Finance costs	8	**(3,775)**	(4,624)
Share of loss of an associate		**(112)**	(77)
Profit before income tax		**19,618**	24,462
Income tax expense	9	**(5,208)**	(6,702)
Profit for the year		**14,410**	17,760
Attributable to:			
Equity holders of the Company	10	**10,300**	14,802
Minority interests		**4,110**	2,958
		14,410	17,760
Earnings per share for profit attributable to the equity holders of the Company during the year – Basic and diluted	11	**HK 5.2 cents**	HK 7.4 cents
Dividends	12	**9,000**	10,000

Balance Sheets

As at 31st March 2008

	Note	Group 2008 HK$'000	Group 2007 HK$'000	Company 2008 HK$'000	Company 2007 HK$'000
Non-current assets					
Property, plant and equipment	14	**17,269**	9,072	**–**	–
Intangible assets	15	**907**	2,751	**–**	–
Investments in subsidiaries	16	**–**	–	**97,946**	104,187
Investment in an associate	17	**819**	731	**–**	–
		18,995	12,554	**97,946**	104,187
Current assets					
Inventories	18	**148,038**	156,288	**–**	–
Trade receivables	19	**89,460**	94,096	**–**	–
Other receivables	29(b)	**12,195**	6,422	**–**	–
Dividends receivable		**–**	–	**10,936**	5,815
Current income tax recoverable		**2,345**	2,170	**–**	–
Cash and bank balances	20	**41,952**	47,945	**528**	410
		293,990	306,921	**11,464**	6,225
Total assets		**312,985**	319,475	**109,410**	110,412
Current liabilities					
Trade payables	21	**46,698**	52,742	**–**	–
Other payables	29(c)	**19,175**	20,266	**526**	406
Short-term bank loans	22	**56,335**	59,051	**–**	–
Current income tax liabilities		**1,670**	1,182	**–**	–
		123,878	133,241	**526**	406
Net current assets		**170,112**	173,680	**10,938**	5,819
Total assets less current liabilities		**189,107**	186,234	**108,884**	110,006
Non-current liabilities					
Deferred income tax liabilities	23	**490**	596	**–**	–
Net assets		**188,617**	185,638	**108,884**	110,006
Capital and reserves attributable to the Company's equity holders					
Share capital	24	**20,000**	20,000	**20,000**	20,000
Reserves	25	**152,222**	151,890	**88,884**	90,006
		172,222	171,890	**108,884**	110,006
Minority interests		**16,395**	13,748	**–**	–
Total equity		**188,617**	185,638	**108,884**	110,006

HUNG KIM FUNG, MEASURE
Chairman

YEUNG MAN YI, BERYL
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31st March 2008

	Attributable to equity holders of the Company							
		Reserves						
	Share capital HK$'000 (Note 24)	**Share premium** HK$'000	**Capital reserve** HK$'000 (Note)	**Translation reserve** HK$'000	**Retained profits** HK$'000	**Total reserves** HK$'000	**Minority interests** HK$'000	**Total equity** HK$'000
Balance at 1st April 2006	20,000	16,706	800	677	129,102	147,285	13,156	180,441
Currency translation differences	–	–	–	(197)	–	(197)	(450)	(647)
Total income and expense recognized directly in equity	–	–	–	(197)	–	(197)	(450)	(647)
Profit for the year	–	–	–	–	14,802	14,802	2,958	17,760
Total recognized income and expense for the year	–	–	–	(197)	14,802	14,605	2,508	17,113
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	635	635
Disposal of subsidiaries	–	–	–	–	–	–	(601)	(601)
Dividends paid to minority shareholders	–	–	–	–	–	–	(1,950)	(1,950)
Dividends of the Company:								
2006 final dividend	–	–	–	–	(5,000)	(5,000)	–	(5,000)
2007 interim dividend	–	–	–	–	(5,000)	(5,000)	–	(5,000)
	–	–	–	–	(10,000)	(10,000)	(1,916)	(11,916)
Balance at 31st March 2007	**20,000**	**16,706**	**800**	**480**	**133,904**	**151,890**	**13,748**	**185,638**
Representing:								
2007 final dividend					5,000			
Others					128,904			
					133,904			

Consolidated Statement of Changes in Equity *(Continued)*
For the year ended 31st March 2008

	Attributable to equity holders of the Company							
		Reserves						
	Share capital HK$'000 (Note 24)	**Share premium** HK$'000	**Capital reserve** HK$'000 (Note)	**Translation reserve** HK$'000	**Retained profits** HK$'000	**Total reserves** HK$'000	**Minority interests** HK$'000	**Total equity** HK$'000
Balance at 1st April 2007	20,000	16,706	800	480	133,904	151,890	13,748	185,638
Currency translation differences	–	–	–	32	–	32	(597)	(565)
Total income and expense recognized directly in equity	–	–	–	32	–	32	(597)	(565)
Profit for the year	–	–	–	–	10,300	10,300	4,110	14,410
Total recognized income and expense for the year	–	–	–	32	10,300	10,332	3,513	13,845
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	(366)	(366)
Dividends paid to minority shareholders	–	–	–	–	–	–	(500)	(500)
Dividends of the Company:								
2007 final dividend	–	–	–	–	(5,000)	(5,000)	–	(5,000)
2008 interim dividend	–	–	–	–	(5,000)	(5,000)	–	(5,000)
	–	–	–	–	(10,000)	(10,000)	(866)	(10,866)
Balance at 31st March 2008	**20,000**	**16,706**	**800**	**512**	**134,204**	**152,222**	**16,395**	**188,617**
Representing:								
2008 final dividend					4,000			
Others					130,204			
					134,204			

Note: 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 reorganization which took place on 18th April 2001.

Consolidated Cash Flow Statement

For the year ended 31st March 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Net cash generated from operations	26(a)	**28,862**	18,831
Overseas income tax paid		**(1,590)**	(1,588)
Hong Kong profits tax paid		**(3,372)**	(6,395)
Net cash generated from operating activities		**23,900**	10,848
Cash flows from investing activities			
Interest received		**724**	589
Purchase of property, plant and equipment	14	**(12,712)**	(2,508)
Proceeds from disposal of property, plant and equipment		**227**	300
Advance to an associate		**(200)**	(176)
Acquisition of additional interest in a subsidiary		**(366)**	–
Net cash used in investing activities		**(12,327)**	(1,795)
Cash flows from financing activities			
Interest paid		**(3,775)**	(4,624)
Dividends paid		**(9,979)**	(9,553)
Dividends paid to minority shareholders of subsidiaries		**(500)**	(1,950)
Repayments of short-term bank loans		**(179,375)**	(152,059)
Proceeds from short-term bank loans		**176,659**	157,398
Net cash used in financing activities		**(16,970)**	(10,788)
Net decrease in cash and cash equivalents		**(5,397)**	(1,735)
Cash and cash equivalents at beginning of the year		**47,945**	50,268
Exchange losses on cash and bank balances		**(596)**	(588)
Cash and cash equivalents at end of the year		**41,952**	47,945
Analysis of balances of cash and cash equivalents:			
Cash at bank and in hand		**36,952**	47,945
Short-term bank deposits		**5,000**	–
		41,952	47,945

Notes to the Consolidated Financial Statements

1. General Information

Mobicon Group Limited (the "Company") and its subsidiaries (collectively, the "Group") are principally engaged in the trading and distribution of electronic parts, components and equipment and computer products and accessories.

The Company is a limited liability company incorporated in Bermuda as an exempted company under the Companies Act of Bermuda. The addresses of its registered office and principal place of business are set out in the Company's annual report.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 7th May 2001.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated.

These consolidated financial statements were approved and authorized for issue by the Company's Board of Directors on 21st July 2008.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) Standards, amendments and interpretations effective in 2007

HKFRS 7, "Financial Instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of Financial Statements – Capital Disclosures", introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

HK(IFRIC)-Int 8, "Scope of HKFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC)-Int 10, "Interim Financial Reporting and Impairment", prohibits the impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

HK(IFRIC)-Int 11, "HKFRS 2 – Group and Treasury Share Transactions". HK(IFRIC)-Int 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's share) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. This interpretation does not have any impact on the Group's financial statements.

2. Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(b) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1st April 2007 but they are not relevant to the Group's operations:

- HK(IFRIC)-Int 9, "Reassessment of Embedded Derivatives".

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st April 2008 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), "Presentation of Financial Statements" (effective from annual period beginning on or after 1st January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRS. The Group will apply HKAS 1 (Revised) from 1st April 2009.

- HKAS 23 (Revised), "Borrowing Costs" (effective from annual period beginning on or after 1st January 2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1st April 2009 but is currently not applicable to the Group as there are no qualifying assets.

- HKFRS 8, "Operating Segments" (effective from annual period beginning on or after 1st January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1st April 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

- HK(IFRIC)-Int 14, "HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective from annual period beginning on or after 1st January 2008). HK(IFRIC)-Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC)-Int 14 from 1st April 2008, but it is not expected to have any impact on the Group's financial statements.

2. Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(d) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2008 or later periods but are not relevant for the Group's operations:

- HK(IFRIC)-Int 12, "Service Concession Arrangements" (effective from annual period beginning on or after 1st January 2008). HK(IFRIC)-Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC)-Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

- HK(IFRIC)-Int 13, "Customer Loyalty Programmes" (effective from annual period beginning on or after 1st July 2008). HK(IFRIC)-Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC)-Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st March.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2. Summary of Significant Accounting Policies *(continued)*

2.2 Consolidation *(continued)*

(b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by using the equity method of accounting and are initially recognized at cost. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognized in the consolidated income statement.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2. Summary of Significant Accounting Policies *(continued)*

2.4 Foreign currency translation *(continued)*

(b) Transactions and balances (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

2. Summary of Significant Accounting Policies *(continued)*

2.5 Property, plant and equipment *(continued)*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives as follows:

Leasehold properties	60 years
Furniture and fixtures	4 years
Office equipment	4 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested annually for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Mobicon Group Limited allocates goodwill to each business segment in each country in which it operates.

(b) Distribution rights

Expenditures on rights acquired for manufacturing and distribution of certain integrated circuit ("IC") products are recognized as an asset and amortized on a straight-line basis over 4 years to reflect the pattern in which the related economic benefits are recognized.

2.7 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. Summary of Significant Accounting Policies *(continued)*

2.8 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable, and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables and cash and bank balances in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular way purchases and sales of financial assets are recognized on the trade-date (the date on which the Group commits to purchase or sell the asset). Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other gains, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group's right to receive payments is established.

2. Summary of Significant Accounting Policies *(continued)*

2.8 Financial assets *(continued)*

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement) is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchase of raw materials.

2.10 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within selling and marketing costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs in the income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2. Summary of Significant Accounting Policies *(continued)*

2.14 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designed as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with HKAS 18 Revenue.

2.16 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.17 Employee benefits

(a) Pension obligations

The Group operates a number of defined contribution plans, the assets of which are generally held in independently administered funds. The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

2. Summary of Significant Accounting Policies *(continued)*

2.17 Employee benefits *(continued)*

(b) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(d) Profit-sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.18 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2. Summary of Significant Accounting Policies *(continued)*

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is recognized when it is probable that future economic benefits will flow to the Group and when the amount of revenue can be measured reliably, on the following bases:

(a) Revenue from the sales of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(b) Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

(c) Service income, management fee and commission income are recognized when the services are rendered.

2.20 Operating leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest-rate risk, cash flow interest-rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates mainly in Hong Kong, Mainland China, South Africa, Malaysia and Singapore and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("USD"). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The directors consider that the foreign exchange risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange risk exposure and will consider hedging significant foreign exchange risk exposure should the need arise.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities).

3. Financial Risk Management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk (continued)

(i) Foreign exchange risk *(continued)*

	Increase/ (decrease) in USD rate	Increase/ (decrease) in profit before income tax	Increase/ (decrease) in equity
	%	HK$'000	HK$'000
2008			
If Singapore dollar weakens against USD	**5%**	**241**	**241**
If Singapore dollar strengthens against USD	**-5%**	**(241)**	**(241)**
2007			
If Singapore dollar weakens against USD	5%	297	297
If Singapore dollar strengthens against USD	-5%	(297)	(297)

(ii) Price risk

The Group is not exposed to significant price risks during the year ended 31st March 2008.

(iii) Cash flow and fair value interest-rate risk

The Group's exposure to changes in interest rates is mainly attributable to its interest-bearing bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Details of the Group's interest-bearing borrowings have been disclosed in Note 22 to the financial statements. The Group currently does not have any interest rate hedging policies. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

3. Financial Risk Management *(continued)*

3.1 Financial risk factors *(continued)*

(a) *Market risk (continued)*

(iii) Cash flow and fair value interest-rate risk *(continued)*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before income tax** HK$'000	**Increase/ (decrease) in equity** HK$'000
2008			
Hong Kong dollar	**50**	**(289)**	**(289)**
Hong Kong dollar	**(50)**	**289**	**289**
2007			
Hong Kong dollar	50	(282)	(282)
Hong Kong dollar	(50)	282	282

(b) *Credit risk*

The Group reviews the recoverability of its financial assets periodically to ensure that potential credit risk of the counterparty is managed at an early stage and sufficient provision is made for possible defaults. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The Group has no significant concentrations of credit risk. The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 19 to the consolidated financial statements.

3. Financial Risk Management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

At 31st March 2008, the Group had several short-term bank loans with carrying amount of approximately HK$56,335,000 (2007: HK$59,051,000).

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

	On demand or within 1 year	**More than 1 year but less than 5 years**	**Total**
	HK$'000	HK$'000	HK$'000
2008			
Trade payables	**46,698**	**–**	**46,698**
Other payables	**19,175**	**–**	**19,175**
Short-term bank loans	**56,335**	**–**	**56,335**
2007			
Trade payables	52,742	–	52,742
Other payables	20,266	–	20,266
Short-term bank loans	59,051	–	59,051

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total equity. Net borrowings is calculated as total borrowings less cash and cash equivalents.

3. Financial Risk Management *(continued)*

3.2 Capital risk management *(continued)*

The gearing ratios at 31st March 2008 and 2007 were as follows:

	2008 HK$'000	2007 HK$'000
Total borrowings	**56,335**	59,051
Less: Cash and bank balances	**(41,952)**	(47,945)
Net borrowings	**14,383**	11,106
Total equity	**188,617**	185,638
Gearing ratio	**8%**	6%

3.3 Fair value estimation

The carrying values less impairment provision of trade and other receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3.4 Financial instruments by category

The carrying amounts of each of the categories of financial instruments at the balance sheet date are as follows:

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables:		
– Amount due from an associate	**1,498**	1,298
– Trade receivables	**89,460**	94,096
– Other receivables	**11,215**	6,422
– Cash and bank balances	**41,952**	47,945
Financial liabilities		
Amortized costs:		
– Trade payables	**46,698**	52,742
– Other payables	**17,629**	18,883
– Short-term bank loans	**56,335**	59,051

4. Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6 to the financial statements. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less variable selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer demand and competitor actions. Management reassesses these estimates at each balance sheet date.

(c) Estimated recoverability of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on ongoing assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and current market conditions, and requires the use of judgments and estimates. Management reassesses the provision for impairment of trade and other receivables at each balance sheet date.

(d) Income tax

The Group is subject to income taxes in a number of jurisdictions including Hong Kong, Mainland China, South Africa, Malaysia and Singapore. Significant judgment is required in determining the amount of the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

5. Revenue and Segment Information

Revenue recognized during the year is as follows:

	Group	
	2008 **HK$'000**	2007 HK$'000
Revenue		
Sales of electronic components, automation parts and equipment	**667,955**	715,344
Sales of computer products and accessories and service income	**265,409**	291,423
	933,364	1,006,767

5. Revenue and Segment Information *(continued)*

(a) Primary reporting format – business segments

At 31st March 2008, the Group is organized into two main business segments:

Electronic Trading Business	–	Distribution of electronic components, automation parts and equipment
Computer Business	–	Retail sales of computer products and accessories, distribution of computer products and provision of IT outsourcing and solution services.

The segment results for the year ended 31st March 2008 are as follows:

	Electronic Trading Business HK$'000	Computer Business HK$'000	Unallocated HK$'000	Group HK$'000
Revenue	667,955	265,409	–	933,364
Segment results	27,114	(4,333)	724	23,505
Finance costs				(3,775)
Share of loss of an associate	–	(112)	–	(112)
Profit before income tax				19,618
Income tax expense (Note 9)				(5,208)
Profit for the year				14,410
Other segment items included in the income statement are as follows:				
Depreciation	3,707	720	–	4,427
Amortization	1,209	–	–	1,209
Impairment of goodwill	–	635	–	635
Provision for impairment of trade receivables	2,320	51	–	2,371
Provision for slow-moving inventories	37	–	–	37

5. Revenue and Segment Information *(continued)*

(a) Primary reporting format – business segments *(continued)*

The segment results for the year ended 31st March 2007 are as follows:

	Electronic Trading Business HK$'000	Computer Business HK$'000	Unallocated HK$'000	Group HK$'000
Revenue	715,344	291,423	–	1,006,767
Segment results	31,880	(3,306)	589	29,163
Finance costs				(4,624)
Share of loss of an associate	–	(77)	–	(77)
Profit before income tax				24,462
Income tax expense (Note 9)				(6,702)
Profit for the year				17,760
Other segment items included in the income statement are as follows:				
Depreciation	3,426	779	–	4,205
Amortization	1,209	–	–	1,209
Provision for impairment of trade receivables	370	56	–	426
Provision for slow-moving inventories	2,185	(135)	–	2,050

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, trade and other receivables, and cash and bank balances. Unallocated assets comprise income tax assets and cash and bank balances.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as other payables, taxation and borrowings.

Capital expenditure comprises additions to property, plant and equipment (Note 14) and intangible assets (Note 15).

5. Revenue and Segment Information *(continued)*

(a) Primary reporting format – business segments *(continued)*

The segment assets and liabilities as at 31st March 2008 and capital expenditure for the year then ended are as follows:

	Electronic Trading Business HK$'000	**Computer Business HK$'000**	**Unallocated HK$'000**	**Group HK$'000**
Assets	**284,385**	**24,908**	**2,873**	**312,166**
Associate	**–**	**819**	**–**	**819**
Total assets	**284,385**	**25,727**	**2,873**	**312,985**
Liabilities	**57,006**	**8,287**	**59,075**	**124,368**
Capital expenditure	**12,543**	**169**	**–**	**12,712**

The segment assets and liabilities as at 31st March 2007 and capital expenditure for the year then ended are as follows:

	Electronic Trading Business HK$'000	Computer Business HK$'000	Unallocated HK$'000	Group HK$'000
Assets	283,175	32,989	2,580	318,744
Associate	–	731	–	731
Total assets	283,175	33,720	2,580	319,475
Liabilities	61,586	10,962	61,289	133,837
Capital expenditure	2,356	787	–	3,143

5. Revenue and Segment Information *(continued)*

(b) Secondary reporting format – geographical segments

The Group mainly operates in Hong Kong, Asia Pacific, South Africa and Europe.

	2008 HK$'000	2007 HK$'000
Revenue		
Hong Kong	**697,678**	768,795
Asia Pacific	**165,712**	163,854
South Africa	**40,088**	38,589
Europe	**19,985**	22,555
Other countries	**9,901**	12,974
	933,364	1,006,767

Revenue is allocated based on the country in which the customer is located.

	2008 HK$'000	2007 HK$'000
Total assets		
Hong Kong	**220,608**	249,779
Asia Pacific	**63,703**	39,272
South Africa	**24,982**	27,113
	309,293	316,164
Associate (Note 17)	**819**	731
Unallocated assets	**2,873**	2,580
	312,985	319,475

Total assets are allocated based on where the assets are located.

	2008 HK$'000	2007 HK$'000
Capital expenditure		
Hong Kong	**715**	1,906
Asia Pacific	**11,354**	952
South Africa	**643**	285
	12,712	3,143

Capital expenditure is allocated based on where the assets are located.

6. Other Income

	Group 2008 HK$'000	Group 2007 HK$'000
Management fee from an associate (Note 29(a))	**132**	130
Service fee from an associate (Note 29(a))	**48**	8
Commission income	**3**	22
Interest income from bank deposits	**620**	491
Interest income from an associate (Note 29(a))	**104**	98
Other income	**543**	–
	1,450	749

7. Expenses by Nature

	2008 HK$'000	2007 HK$'000
Costs of inventories expensed	**794,009**	859,680
Employee benefit expense (Note 13)	**66,077**	65,219
Amortization of intangible assets (included in general and administrative expenses)	**1,209**	1,209
Depreciation of owned property, plant and equipment	**4,427**	4,205
Impairment of goodwill (included in general and administrative expenses) (Note 15)	**635**	–
Provision for impairment of trade receivables (included in general and administrative expenses)	**2,371**	426
Provision for slow-moving inventories (included in cost of sales)	**37**	2,050
Operating lease rentals in respect of rented premises	**10,883**	14,752
Auditors' remuneration	**600**	600
Gain on disposal of property, plant and equipment	**(147)**	(136)
Gain on disposal of subsidiaries (Note 26(b))	**(10)**	(1)
Net foreign exchange gains	**(903)**	(2,922)

8. Finance Costs

	2008 HK$'000	2007 HK$'000
Interest expense on short-term bank loans, wholly repayable within five years	**3,775**	4,624

9. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2008 **HK$'000**	2007 HK$'000
Current income tax		
– Hong Kong profits tax	**2,427**	5,085
– Overseas taxation	**3,146**	1,575
– Over-provision in prior years	**(235)**	(214)
Deferred income tax (Note 23)	**(130)**	256
Income tax expense	**5,208**	6,702

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2008 **HK$'000**	2007 HK$'000
Profit before income tax	**19,618**	24,462
Tax calculated at Hong Kong profits tax rate of 17.5% (2007: 17.5%)	**3,433**	4,281
Effect of different tax rates of subsidiaries operating in other countries	**1,163**	500
Tax losses of subsidiaries not recognized	**789**	1,839
Utilization of previously unrecognized tax losses	**(76)**	(132)
Over-provision in prior years	**(235)**	(214)
Others	**134**	428
Income tax expense	**5,208**	6,702

The Company is exempted from taxation in Bermuda until 2016.

Mobicon Electronic Trading (Shenzhen) Limited ("MET"), being a foreign investment enterprise established in the free trade zone of Futian, Shenzhen, the People's Republic of China (the "PRC"), and with a financial year end date falling on 31st December, is subject to PRC enterprise income tax at the rate of 15%. No provision for PRC enterprise income tax has been made as MET is entitled to exemption from PRC enterprise income tax for the first two profitable years commencing from the year ended 31st December 2006 and a 50% reduction from normal PRC enterprise income tax (effectively 7.5%) for the three years following.

10. Profit Attributable to Equity Holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$8,878,000 (2007: HK$9,600,000).

11. Earnings Per Share

The calculation of basic earnings per share for the year ended 31st March 2008 is based on the Group's profit attributable to equity holders of the Company of approximately HK$10,300,000 (2007: HK$14,802,000) and on the weighted average number of 200,000,000 (2007: 200,000,000) ordinary shares in issue during the year.

There is no diluted earnings per share since the Company has no dilutive potential ordinary shares in issue during the years ended 31st March 2008 and 2007.

12. Dividends

	2008 **HK$'000**	2007 HK$'000
Interim dividend paid of HK2.5 cents (2007: HK2.5 cents) per ordinary share	**5,000**	5,000
Proposed final dividend of HK2 cents (2007: HK2.5 cents) per ordinary share	**4,000**	5,000
	9,000	10,000

At a meeting held on 18th July 2007, the directors of the Company proposed a final dividend of HK2.5 cents per ordinary share in respect of the year ended 31st March 2007.

At a meeting held on 21st July 2008, the directors of the Company proposed a final dividend of HK2 cents per ordinary share in respect of the year ended 31st March 2008. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st March 2009.

13. Employee Benefit Expense

	2008 **HK$'000**	2007 HK$'000
Salaries, wages and other benefits	**62,684**	62,026
Pension costs – defined contribution plans (Note a)	**3,347**	3,019
Provision for long-service payments	**46**	174
Total employee benefit expense (including directors' remuneration)	**66,077**	65,219

13. Employee Benefit Expense *(continued)*

(a) Pensions – defined contribution plans

The Group has arranged for its Hong Kong employees 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 Schemes Ordinance. The employer's and employees' contribution is subject to a cap of monthly earnings of HK$20,000.

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 12% and 11%, respectively, of the employees' earnings as defined under the Employee Provident Fund Act 1991, and the Group has no further obligations for the actual pension payments or post-retirement benefits beyond its contributions. The relevant government agency is responsible for the pension obligation payable to the retired employees.

Mobicon-Remote Electronic Pte Ltd., a wholly-owned subsidiary of the Group, has arranged for its employees in Singapore to join the Central Provident Fund Scheme ("the CPF Scheme"). The CPF Scheme is a defined contribution scheme managed by the government of Singapore. Under the CPF Scheme, the employer and its employees make monthly contribution to the scheme at 13% and 20%, respectively, of the employees' earnings as defined under the Central Provident Fund Act, and the Group has no further obligations for the actual pension payments or post-retirement benefits beyond its contributions. The relevant government agency is responsible for the pension obligation payable to the retired employees.

As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement plans for its employees in Mainland China as determined by the relevant local governments, which are defined contribution plans. The Group contributes approximately 10% to 17% of the basic salaries of its employees in Mainland China and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plans are responsible for the pension obligations payable to the retired employees.

The other group companies do not have any employee retirement schemes for their employees.

13. Employee Benefit Expense *(continued)*

(b) Directors' and senior management's emoluments

The remuneration of every director of the Company for the year ended 31st March 2008 is set out below:

Name of director	**Fees**	**Salaries, allowances and other benefits**	**Employer's contributions to defined contribution scheme**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Executive directors				
Dr. Hung Kim Fung, Measure	**–**	**1,300**	**12**	**1,312**
Ms. Yeung Man Yi, Beryl	**–**	**1,300**	**12**	**1,312**
Mr. Hung Ying Fung	**–**	**845**	**12**	**857**
Mr. Yeung Kwok Leung, Allix	**–**	**845**	**12**	**857**
Independent non-executive directors				
Mr. Charles E. Chapman	**80**	**–**	**–**	**80**
Dr. Leung Wai Cheung	**120**	**–**	**–**	**120**
Mr. Chow Shek Fai	**80**	**–**	**–**	**80**
	280	**4,290**	**48**	**4,618**

The remuneration of every director of the Company for the year ended 31st March 2007 is set out below:

Name of director	Fees	Salaries, allowances and other benefits	Employer's contributions to defined contribution scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors				
Dr. Hung Kim Fung, Measure	–	1,300	12	1,312
Ms. Yeung Man Yi, Beryl	–	1,300	12	1,312
Mr. Hung Ying Fung	–	845	12	857
Mr. Yeung Kwok Leung, Allix	–	845	12	857
Independent non-executive directors				
Mr. Charles E. Chapman	80	–	–	80
Dr. Leung Wai Cheung	120	–	–	120
Mr. Chow Shek Fai	80	–	–	80
	280	4,290	48	4,618

None of the directors waived or agreed to waive any emoluments during the year (2007: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director during the year (2007: Nil).

13. Employee Benefit Expense *(continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2007: four) executive directors whose emoluments are set out in Note 13(b) to the financial statements. The emoluments payable to the remaining individuals during the year are as follows:

	2008 **HK$'000**	2007 HK$'000
Basic salaries and allowances	**970**	959
Contributions to defined contribution scheme	**–**	–
	970	959

The emoluments fell within the following band:

	Number of employees	
	2008	2007
Nil to HK$1,000,000	**1**	1

During the year, no emoluments were paid to the above individual as inducement to join or upon joining the Group or as compensation for loss of office (2007: Nil).

14. Property, Plant and Equipment

	Group				
	Leasehold properties HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st April 2006					
Cost	–	11,730	12,505	3,121	27,356
Accumulated depreciation	–	(7,786)	(6,566)	(1,976)	(16,328)
Net book amount	–	3,944	5,939	1,145	11,028
Year ended 31st March 2007					
Opening net book amount	–	3,944	5,939	1,145	11,028
Exchange differences	–	(29)	(26)	(40)	(95)
Additions	–	186	2,078	244	2,508
Disposals	–	–	(108)	(56)	(164)
Depreciation	–	(1,326)	(2,448)	(431)	(4,205)
Closing net book amount	–	2,775	5,435	862	9,072
At 31st March 2007					
Cost	–	11,893	14,158	2,327	28,378
Accumulated depreciation	–	(9,118)	(8,723)	(1,465)	(19,306)
Net book amount	–	2,775	5,435	862	9,072
Year ended 31st March 2008					
Opening net book amount	–	2,775	5,435	862	9,072
Exchange differences	(5)	(13)	(8)	18	(8)
Additions	10,059	961	1,027	665	12,712
Disposals	–	–	(35)	(45)	(80)
Depreciation	(79)	(1,261)	(2,538)	(549)	(4,427)
Closing net book amount	9,975	2,462	3,881	951	17,269
At 31st March 2008					
Cost	10,059	12,848	15,082	2,750	40,739
Accumulated depreciation	(84)	(10,386)	(11,201)	(1,799)	(23,470)
Net book amount	9,975	2,462	3,881	951	17,269

The leasehold properties are located outside Hong Kong and held under a long term lease.

15. Intangible Assets

	Goodwill	Group Distribution rights	Total
	HK$'000	HK$'000	HK$'000
At 1st April 2006			
Cost	97	4,836	4,933
Accumulated amortization and impairment	(97)	(1,511)	(1,608)
Net book amount	–	3,325	3,325
Year ended 31st March 2007			
Opening net book amount	–	3,325	3,325
Acquisition of additional interests in subsidiaries (Note (ii))	635	–	635
Amortization charge	–	(1,209)	(1,209)
Closing net book amount	635	2,116	2,751
At 31st March 2007			
Cost	732	4,836	5,568
Accumulated amortization and impairment	(97)	(2,720)	(2,817)
Net book amount	635	2,116	2,751
Year ended 31st March 2008			
Opening net book amount	635	2,116	2,751
Amortization charge	–	(1,209)	(1,209)
Impairment charge	(635)	–	(635)
Closing net book amount	–	907	907
At 31st March 2008			
Cost	732	4,836	5,568
Accumulated amortization and impairment	(732)	(3,929)	(4,661)
Net book amount	–	907	907

Notes:

(i) On 23rd January 2006, the Group acquired an additional 10% interest in A Plus Computer Holdings Limited, a subsidiary incorporated in the British Virgin Islands, for cash consideration of approximately HK$562,000. The related goodwill resulting from the aforesaid acquisition amounting to approximately HK$97,000 was impaired.

(ii) On 15th June 2006, the Group acquired the remaining 10% interest in A Plus Computer Holdings Limited, a subsidiary of the Group incorporated in the British Virgin Islands, for cash consideration of HK$1. The related goodwill resulting from the aforesaid acquisition amounting to approximately HK$635,000 was impaired.

(iii) Goodwill arising from acquisition of subsidiaries was allocated to the cash-generating unit (the "CGU") representing an operating entity within the business segment identified by the Group. The acquired subsidiary is principally engaged in investment holding and retail sales of computer products and accessories in Hong Kong. The recoverable amounts of the CGU are determined based on a value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a three-year period. All cash flows are discounted at a discount rate of 7.75%, which reflects the specific risk relating to the CGU.

16. Investments in Subsidiaries

(a) Investments in subsidiaries

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted investments, at cost	**67,297**	67,297
Amounts due from subsidiaries (Note 16(b))	**30,649**	36,890
	97,946	104,187

Details of the subsidiaries as at 31st March 2008, all of which are held indirectly by the Company (except for Mobicon (BVI) Limited which is held directly by the Company), are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Percentage of equity interest held
A Plus Electronic Company Limited	Hong Kong, limited liability company	Trading and distribution of computer products and accessories in Hong Kong	100 ordinary shares of HK$1 each; 1,000,000 non-voting deferred shares of HK$1 each (Note (i))	100%
A Plus Computer Holdings Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	800,000 ordinary shares of US$1 each	100%
A Plus 2 Computer Limited	Hong Kong, limited liability company	Trading and distribution of computer products and accessories in Hong Kong	1,000 ordinary shares of HK$1 each	51%
A Power Limited	Hong Kong, limited liability Company	Trading and distribution of computer products and accessories in Hong Kong	500,000 ordinary shares of HK$1 each	100%
AESI (HK) Limited	Hong Kong, limited liability company	Provision of information technology services in Hong Kong	1,000 ordinary shares of HK$1 each	100%
Arkia Advance Limited	Hong Kong, limited liability company	Trading and distribution of electronic parts, components and equipment in Hong Kong	1,000,000 ordinary shares of HK$1 each	70%

16. Investments in Subsidiaries *(continued)*

(a) Investments in subsidiaries *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Percentage of equity interest held
Conwise Power Limited	Hong Kong, limited liability company	Trading and distribution of electronic parts, components and equipment in Hong Kong	1,000,000 ordinary shares of HK$1 each	100%
DV Power Limited	Hong Kong, limited liability company	Trading and distribution of electronic parts, components and equipment in Hong Kong	10,000 ordinary shares of HK$1 each	50% (Note (ii))
Langa Holdings (Proprietary) Limited	Republic of South Africa, limited liability company	Investment holding in South Africa	100 ordinary shares of ZAR1 each	51%
Mantech Electronics (Cape) (Proprietary) Limited	Republic of South Africa, limited liability company	Trading and distribution of electronic parts, components and equipment in South Africa	100 ordinary shares of ZAR1 each	51%
Mantech Electronics (Proprietary) Limited	Republic of South Africa, limited liability company	Trading and distribution of electronic parts, components and equipment in South Africa	100 ordinary shares of ZAR1 each	51%
Mantech Electronics (KZN) (Proprietary) Limited	Republic of South Africa, limited liability company	Trading and distribution of electronic parts, components and equipment in South Africa	100 ordinary shares of ZAR1 each	51%
MCU Power Limited	Hong Kong, limited liability company	Trading and distribution of electronic parts, components and equipment in Hong Kong	1,000,000 ordinary shares of HK$1 each	100% (2007: 70%)
Milliard Devices Limited	Hong Kong, limited liability company	Trading and distribution of electronic parts, components and equipment in Hong Kong	1,000,000 ordinary shares of HK$1 each	70%

16. Investments in Subsidiaries *(continued)*

(a) Investments in subsidiaries *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Percentage of equity interest held
Mobicon (BVI) Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of US$1 each	100%
Mobicon (Taiwan) Limited	Republic of China, limited liability company	Trading and distribution of electronic parts, components and equipment in Taiwan	500,000 ordinary shares of NT$10 each	100%
Mobicon Agent Limited	Hong Kong, limited liability company	Trading and distribution of electronic parts, components and equipment in Hong Kong	10,000 ordinary shares of HK$1 each	100%
Mobicon Electronic Trading (Shenzhen) Limited (Note (iii))	PRC, wholly-owned foreign enterprise	Trading and distribution of electronic parts, components and equipment in the PRC	Registered capital HK$2,000,000	100%
Mobicon Holdings Limited	Hong Kong, limited liability company	Trading and distribution of electronic parts, components and equipment in Hong Kong	10 ordinary shares of HK$1 each	100%
Mobicon International Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	100 ordinary shares of US$1 each	100%
Mobicon Malaysia Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
Mobicon-Mantech Holdings Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1,000 ordinary shares of US$1 each	51%
Mobicon-Remote Electronic Pte Ltd.	Republic of Singapore, limited liability company	Trading and distribution of electronic parts, components and equipment in Singapore	300,000 ordinary shares of S$1 each (2007: 2 ordinary shares of S$1 each)	100%
Mobicon-Remote Electronic Sdn. Bhd.	Malaysia, limited liability company	Trading and distribution of electronic parts, components and equipment in Malaysia	1,000,000 ordinary shares of RM1 each	50.1%

16. Investments in Subsidiaries *(continued)*

(a) Investments in subsidiaries *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Percentage of equity interest held
M-Tec Electronic Limited	Hong Kong, limited liability company	Trading and distribution of electronic parts, components and equipment in Hong Kong	100,000 ordinary of HK$1 each	100%
Partners 2 Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	100 ordinary shares of US$1 each	100%
PC Master Limited	Hong Kong, limited liability company	Trading and distribution of computer products and accessories in Hong Kong	1,000 ordinary shares of HK$1 each	90%
Sensor Power Limited	Hong Kong, limited liability company	Trading and distribution of electronic parts, components and equipment in Hong Kong	1,000 ordinary shares of HK$1 each	100%
Videocom Technology (HK) Limited	Hong Kong, limited liability company	Trading and distribution of computer products and accessories in Hong Kong	2 ordinary shares of HK$1 each	100%

Notes:

(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 HK$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 polices of DV Power Limited and accordingly it is accounted for as a subsidiary.

(iii) The subsidiary has a financial year-end date falling on 31st December in accordance with the local statutory requirements, which is not coterminous with the Group. The consolidated financial statements of the Group were prepared based on the financial statements of the subsidiary for the twelve months ended 31st March 2008.

None of the subsidiaries had any loan capital in issue at any time during the year ended 31st March 2008 (2007: Nil).

(b) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, non-interest bearing and not repayable within one year.

17. Investment in an Associate

(a) Investment in an associate

	Group	
	2008	2007
	HK$'000	HK$'000
Beginning of the year	**(567)**	(490)
Share of loss	**(112)**	(77)
End of the year	**(679)**	(567)
Amount due from an associate (Note 17(b))	**1,498**	1,298
	819	731

Details of the associate of the Group as at 31st March 2008, which is unlisted, are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operations	Particulars of issued shares held	Percentage of equity interest held
Create Tech Software Systems Limited	Hong Kong, limited liability company	Design of computer software in Hong Kong	Ordinary shares of HK$1 each	30%

The following table illustrates the summarized financial information of the associate of the Group as extracted from its financial statements:

	2008	2007
	HK$'000	HK$'000
Total assets	**615**	952
Total liabilities	**1,657**	1,652
Revenue	**1,684**	1,913
Loss	**(373)**	(257)

(b) Amount due from an associate

The amount due from an associate is unsecured, with interest charged based on the best lending rates of certain banks in Hong Kong and not repayable within one year.

18. Inventories

Inventories consist of electronic parts, components and equipment and computer products and accessories.

19. Trade Receivables

The Group normally grants to its customers credit periods for sales of goods ranging from 7 to 90 days. The aging analysis of the trade receivables is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
0 to 60 days	**80,053**	84,180
61 to 120 days	**8,120**	6,662
121 to 180 days	**2,187**	2,330
181 to 365 days	**1,593**	2,144
Trade receivables	**91,953**	95,316
Less: provision for impairment of trade receivables	**(2,493)**	(1,220)
	89,460	94,096

The maximum exposure to credit risk at the reporting date is the fair values of trade receivables. The Group does not hold any collateral as security in respect of its trade receivables.

As at 31st March 2008, trade receivables of approximately HK$53,303,000 (2007: HK$57,862,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
0 to 60 days	**42,194**	47,160
61 to 120 days	**8,034**	6,544
121 to 180 days	**1,482**	2,014
181 to 365 days	**1,593**	2,144
	53,303	57,862

As at 31st March 2008, trade receivables of approximately HK$2,493,000 (2007: HK$1,220,000) were impaired. The amount of the provision was approximately HK$2,493,000 as at 31st March 2008 (2007: HK$1,220,000). The individually impaired receivables mainly relate to a number of small customers, which are in unexpected difficult economic situations.

Movements on the provision for impairment of trade receivables are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At beginning of the year	**1,220**	917
Receivables written off as uncollectible	**(1,122)**	(130)
Provision for impairment of trade receivables	**2,371**	426
Exchange differences	**24**	7
At end of the year	**2,493**	1,220

20. Cash and Bank Balances

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**36,952**	47,945	**528**	410
Short-term bank deposits	**5,000**	–	**–**	–
Maximum exposure to credit risk	**41,952**	47,945	**528**	410

Cash and bank balances of the Group include an amount of approximately HK$2,220,000 (2007: HK$1,480,000) denominated in Renminbi and kept in Mainland China. The conversion of these Renminbi denominated balances into foreign currencies and the remittance of these funds out of Mainland China is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

21. Trade Payables

The aging analysis of trade payables is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
0 to 60 days	**44,859**	50,898
61 to 120 days	**1,464**	1,190
121 to 180 days	**127**	191
181 to 365 days	**248**	463
	46,698	52,742

22. Short-term Bank Loans

All short-term bank loans are due within one year and denominated in Hong Kong dollars.

The effective interest rates of the short-term bank loans at the balance sheet date range from approximately 2.55% to 5.275% (2007: 5.12% to 5.40%), except for a loan of approximately HK$1,871,000 (2007: HK$1,635,000) which bears interest at HIBOR plus 0.7% (2007: HIBOR plus 0.7%).

The Group's banking facilities are secured by corporate guarantees issued by the Company (Note 28).

23. Deferred Income Tax

Deferred income tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2007: 17.5%).

The movement on the deferred income tax liabilities account is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Beginning of the year	**596**	317
Exchange differences	**24**	23
Recognized in the income statement	**(130)**	256
End of the year	**490**	596

The deferred income tax liabilities are attributable to accelerated tax depreciation.

As at 31st March 2008, the Group had unrecognised deferred income tax asset, primarily representing the tax effect of cumulative tax losses (subject to the approval of the relevant tax authorities), amounting to approximately HK$5,777,000 (2007: HK$4,898,000), which have no expiry date.

24. Share Capital

	2008	2007
	HK$'000	HK$'000
Authorized:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
200,000,000 ordinary shares of HK$0.10 each	**20,000**	20,000

25. Reserves

	Company			
	Share premium HK$'000	Contributed surplus HK$'000 (Note)	Retained profits HK$'000	Total HK$'000
Balance at 1st April 2006	16,706	67,097	6,603	90,406
Profit for the year	–	–	9,600	9,600
Dividends	–	–	(10,000)	(10,000)
Balance at 31st March 2007	16,706	67,097	6,203	90,006
Balance at 1st April 2007	16,706	67,097	6,203	90,006
Profit for the year	–	–	8,878	8,878
Dividends	–	–	(10,000)	(10,000)
Balance at 31st March 2008	**16,706**	**67,097**	**5,081**	**88,884**
Representing:				
2008 final dividend			4,000	
Others			1,081	
			5,081	

Note: 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 reorganization which took place on 18th April 2001.

26. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of profit before income tax to net cash generated from operations:

	2008 HK$'000	2007 HK$'000
Profit before income tax	**19,618**	24,462
Adjustments for:		
– Depreciation of property, plant and equipment	**4,427**	4,205
– Amortization of intangible assets	**1,209**	1,209
– Impairment of goodwill	**635**	–
– Gain on disposal of subsidiaries	**(10)**	(1)
– Gain on disposal of property, plant and equipment	**(147)**	(136)
– Interest income	**(724)**	(589)
– Interest expense	**3,775**	4,624
– Share of loss of an associate	**112**	77
Changes in working capital:		
– Inventories	**8,250**	3,017
– Trade receivables	**4,636**	(4,664)
– Other receivables	**(5,773)**	785
– Trade payables	**(6,044)**	(12,448)
– Other payables	**(1,102)**	(1,710)
Net cash generated from operations	**28,862**	18,831

26. Notes to the Consolidated Cash Flow Statement *(continued)*

(b) Disposal of subsidiaries

During the year ended 31st March 2008, the Group disposed of its entire equity interest in MEC Quartz Limited upon deregistration. The result of the subsidiary disposed of in the year ended 31st March 2008 had no significant impact on the Group's consolidated revenue or profit after income tax for the year.

	2008	2007
	HK$'000	HK$'000
Net liabilities disposed of:		
Other receivables	**–**	600
Other payables	**(10)**	–
Minority interests	**–**	(601)
	(10)	(1)
Gain on disposal of subsidiaries	**10**	1
	–	–

27. Commitments

Operating lease commitments – where the Group is the lessee

As at 31st March 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
No later than one year	**8,107**	9,577
Later than one year and no later than five years	**9,787**	4,109
	17,894	13,686

The Company had no commitments under operating leases as at 31st March 2008 (2007: Nil).

28. Corporate Guarantee

	Company	
	2008	2007
	HK$'000	HK$'000
Corporate guarantees provided by the Company in respect of banking facilities of subsidiaries	**276,500**	278,886

As at 31st March 2008, the amount of banking facilities used by the subsidiaries and covered by the Company's corporate guarantees amounted to approximately HK$56,335,000 (2007: HK$59,051,000). In the opinion of the directors, no material liabilities will arise from the above corporate guarantees which arose in the ordinary course of business and the fair values of the corporate guarantees granted by the Company are immaterial.

29. Related Party Transactions

Save as disclosed elsewhere in these financial statements, the Group had the following significant related party transactions during the year:

(a) Particulars of significant transactions between the Group and related parties are summarized below:

	Note	2008 HK$'000	2007 HK$'000
Management fee received from an associate	(i)	**132**	130
Service fee received from an associate	(ii)	**48**	8
Interest income received from an associate		**104**	98
Maintenance fee paid to an associate	(iii)	**708**	596
Software upgrading fee paid to an associate		**10**	–
Purchase of equipment from an associate		**–**	23
Rentals paid/payable to M-Bar Limited	(iv)	**4,060**	3,972
Rentals paid/payable to a director	(v)	**132**	132
Rentals paid/payable to spouse of a director	(vi)	**102**	102

Notes:

(i) Management fee was received from an associate, Create Tech Software Systems Limited at a fixed rate of HK$11,000 per month for the year ended 31st March 2008 (2007: HK$10,000 per month from April 2006 to May 2006 and HK$11,000 per month from June 2006 to March 2007) for use and lease of facilities of the Group.

(ii) Service fee was received from an associate, Create Tech Software Systems Limited at a fixed rate of HK$4,000 per month for the year ended 31st March 2008 (2007: HK$4,000 per month from February 2007 to March 2007) for providing online-marketing related service.

(iii) Maintenance fee was paid to an associate, Create Tech Software Systems Limited at a fixed rate of HK$59,000 per month for the year ended 31st March 2008 (2007: HK$46,000 for April 2006 and HK$50,000 per month from May 2006 to March 2007) for providing maintenance of the accounting system.

(iv) M-Bar Limited is a wholly-owned subsidiary of Mobicon Electronic Supplies Company Limited, a company beneficially owned by Dr. 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. The lease agreements with M-Bar Limited were entered into at terms agreed between the contracting parties.

(v) The lease agreements with Mr. Yeung Kwok Leung, Allix, a director of the Company, were entered into at terms agreed between the contracting parties.

(vi) The lease agreements with Madam Wan Lam Keng, spouse of Mr. Yeung Kwok Leung, Allix, were entered into at terms agreed between the contracting parties.

(b) Included in other receivables of the Group as at 31st March 2008 were rental deposits paid to M-Bar Limited, Mr. Yeung Kwok Leung, Allix and Madam Wan Lam Keng of approximately HK$750,000 (2007: HK$742,000), HK$22,000 (2007: HK$22,000) and HK$17,000 (2007: HK$17,000) respectively.

(c) Included in other payables of the Group were amounts due to minority shareholders of certain subsidiaries of approximately HK$4,507,000 (2007: HK$4,942,000). The amounts are unsecured, interest-free and repayable on demand.

(d) Key management compensation

	2008 HK$'000	2007 HK$'000
Short-term employee benefits	**4,570**	4,570
Post-employment benefits	**48**	48
	4,618	4,618

Further details of directors' emoluments are included in Note 13(b) to the financial statements.

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out below:

Results

	Year ended 31st March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**933,364**	1,006,767	1,088,526	1,280,392	1,159,929
Profit before income tax	**19,618**	24,462	31,942	44,793	38,495
Income tax	**(5,208)**	(6,702)	(8,089)	(9,502)	(6,723)
Profit for the year	**14,410**	17,760	23,853	35,291	31,772
Attributable to:					
Equity holders of the Company	**10,300**	14,802	19,384	32,455	28,635
Minority interests	**4,110**	2,958	4,469	2,836	3,137
	14,410	17,760	23,853	35,291	31,772

Assets and Liabilities

	As at 31st March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**17,269**	9,072	11,028	7,194	5,389
Intangible assets	**907**	2,751	3,325	4,534	–
Investment in an associate	**819**	731	632	849	492
Current assets	**293,990**	306,921	306,812	339,320	294,042
Total assets	**312,985**	319,475	321,797	351,897	299,923
Current liabilities	**(123,878)**	(133,241)	(141,039)	(184,303)	(152,819)
Net current assets	**170,112**	173,680	165,773	155,017	141,223
Total assets less current liabilities	**189,107**	186,234	180,758	167,594	147,104
Deferred income tax liabilities	**(490)**	(596)	(317)	(164)	(164)
Net assets	**188,617**	185,638	180,441	167,430	146,940
Capital and reserves attributable to the Company's equity holders					
Share capital	**20,000**	20,000	20,000	20,000	20,000
Reserves	**152,222**	151,890	147,285	138,721	118,280
	172,222	171,890	167,285	158,721	138,280
Minority interests	**16,395**	13,748	13,156	8,709	8,660
Total equity	**188,617**	185,638	180,441	167,430	146,940