

Mobicon Group Limited

萬保剛集團有限公司

(Stock Code : 1213)

2008/2009

Interim Report

China
中國

Taiwan
台灣

Hong Kong
香港

Malaysia
馬來西亞

Singapore
新加坡

South Africa
南非

Philippines
菲律賓

Thailand
泰國



WE SHALL OVERCOME

MOBICON

Electronic Components

Enterprising - Pragmatic - Aspiring

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

CONTENTS

Corporate Information	2
Financial Summary	3
Report of the Directors	4
Management Discussion and Analysis	7
Condensed Consolidated Income Statement	10
Condensed Consolidated Balance Sheet	11
Condensed Consolidated Statement of Changes in Equity	12
Condensed Consolidated Cash Flow Statement	13
Notes to the Interim Financial Report	14

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

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

Legal Advisers

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

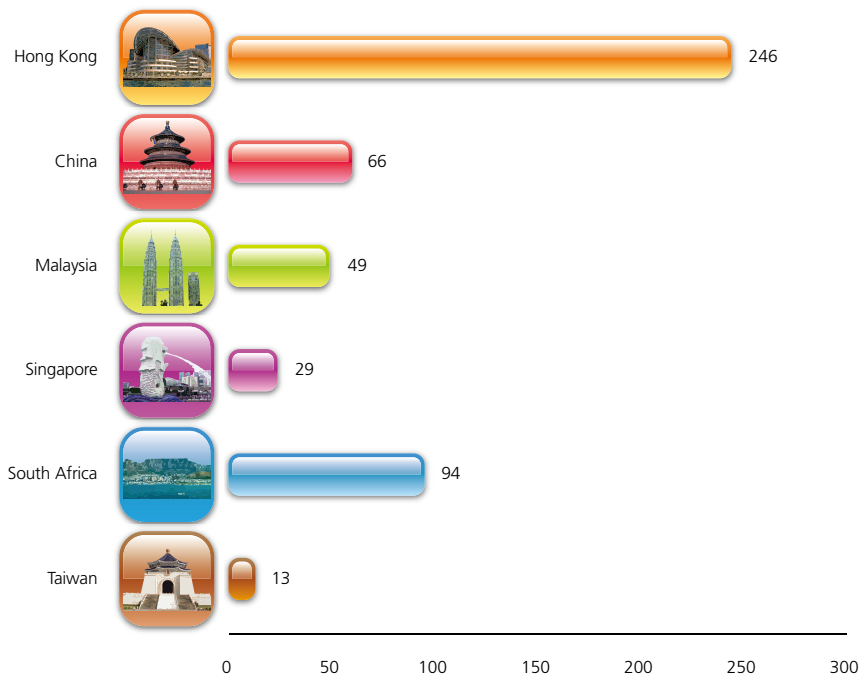
1213

FINANCIAL SUMMARY

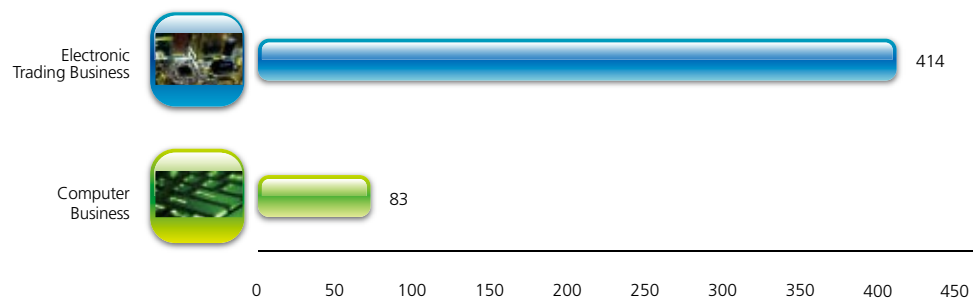
Turnover by Business Segments (by percentage)



Distribution of Workforce* by Geographical Location



Distribution of Workforce* by Business Segments



*Total no. of Employees = 497

REPORT OF THE DIRECTORS

The Board of Directors (the "Board") of Mobicon Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") as at and for the six months ended 30 September 2008 (the "Period") together with comparative figures and explanatory notes in this interim report.

INTERIM DIVIDEND

By a Board resolution passed on 18 December 2008, the directors had resolved to declare an interim dividend of HK\$0.02 per ordinary share for the six months ended 30 September 2008 (2007: HK\$0.025 per ordinary share). The interim dividend will be payable on 20 January 2009 to shareholders whose names appear on the Register of Members of the Company as at 12 January 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 9 January 2009 (Friday) to 12 January 2009 (Monday), both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of share accompanied by the relevant share certificates must be lodged with the Company's branch share registrar 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 8 January 2009 (Thursday).

SHARE OPTION SCHEME

On 8 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 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 the current Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY AND DEBT SECURITIES

As at 30 September 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

Name of director	Long/short position	Number of shares			Percentage
		Personal interests	Corporate interests	Total interests	
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	25,608,000	–	25,608,000	12.80%
Mr. Yeung Kwok Leung, Allix	Long	–	30,000,000 (Note (b))	30,000,000	15%

Notes:

- These shares are held by M2B Holding Limited, a company owned as to 50% by Dr. Hung Kim Fung, Measure and the remaining 50% by his wife, Ms. Yeung Man Yi, Beryl. Accordingly, Dr. Hung Kim Fung, Measure and Ms. Yeung Man Yi, Beryl were deemed to be interested in 90,000,000 shares of the Company under the SFO. The interests of Dr. Hung Kim Fung, Measure and Ms. Yeung Man Yi, Beryl were in respect of the same interest and duplicated each other.
- These shares are held by Bestmark Management Limited, a company owned as to 50% by Mr. Yeung Kwok Leung, Allix and the remaining 50% by his wife, Ms. Wan Lam Keng. Accordingly, Mr. Yeung Kwok Leung, Allix and Ms. Wan Lam Keng were deemed to be interested in 30,000,000 shares of the Company under the SFO. The interests of Mr. Yeung Kwok Leung, Allix and Ms. Wan Lam Keng were in respect of the same interest and duplicated each other.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY AND DEBT SECURITIES (CONTINUED)**(ii) Non-voting deferred shares of HK\$1.00 each in a subsidiary – Maxfair Distribution Limited (formerly known as A Plus Electronic Company Limited) (“Maxfair”)**

As at 30 September 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 Maxfair:

Name of director	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 30 September 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 Period, 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 Period 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 Period, the Company has 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 Period.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 15 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 Period or at any time during the Period.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 September 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:

Name	Long/short position	Number of shares	
		Beneficial owner	Percentage
M2B Holding Limited	Long	90,000,000 (Note (a))	45%
Bestmark Management Limited	Long	30,000,000 (Note (b))	15%

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARE CAPITAL OF THE COMPANY (CONTINUED)

Notes:

- (a) Please refer to Note (a) under the section headed "Directors' and Chief Executive's Interests in Equity and Debt Securities".
- (b) Please refer to Note (b) under the section headed "Directors' and Chief Executive's Interests in Equity and Debt Securities".

Save as disclosed above, as at 30 September 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.

DEALINGS IN COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed shares during the six months ended 30 September 2008. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the six months ended 30 September 2008.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "Code") throughout the Period, except for the deviations stated below:

According to the code provisions A.4.1 and A.4.2 of the Code, (a) non-executive directors should be appointed for a specific term, subject to re-election; and (b) all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. None of the independent non-executive directors of the Company was appointed for specific term but all of them are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws. In accordance with the provisions of the Bye-laws of the Company, any director appointed by the Board during the year shall retire and submit himself/herself for re-election at the first annual general meeting immediately following his/her appointment. Further, at each annual general meeting, one third of the directors for the time being, or if their number is not three or multiple of three, then the number nearest to but not exceeding one-third, shall retire from office. The directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment. As such, the Company considers that the Company's corporate governance practices in this regard are similar to those in the Code. According to the Bye-laws of the Company, the Chairman and Managing Director are not subject to retirement by rotation or be taken into account in determining the number of directors to retire which deviated from code provision A.4.2 of the Code. As continuation is a key factor to the successful implementation of any long term business plans, the Board believes that the present arrangement is most beneficial to the Company and the shareholders as a whole.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated financial statements for the six months ended 30 September 2008 with the directors. The Audit Committee comprises three independent non-executive directors, namely Mr. Charles E. Chapman, Dr. Leung Wai Cheung and Mr. Chow Shek Fai.

MEMBERS OF THE BOARD

As at the date of this report, the Board comprises Dr. Hung Kim Fung, Measure, Ms. Yeung Man Yi, Beryl, Mr. Hung Ying Fung and Mr. Yeung Kwok Leung, Allix as executive directors and Mr. Charles E. Chapman, Dr. Leung Wai Cheung and Mr. Chow Shek Fai as independent non-executive directors.

APPRECIATION

I would like to take this opportunity to express my gratitude to my fellow directors and all members of the staff for their loyalty and dedication and the continuous support from our customers, suppliers, banks and shareholders.

By order of the Board
Hung Kim Fung, Measure
Chairman

Hong Kong, 18 December 2008

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group recorded a turnover of around HK\$460 million during the Period. This represented a decrease of about 7% on the turnover of around HK\$495 million for the six months ended 30 September 2007 (the "Corresponding Period"). The decrease in turnover was mainly due to the drop in the computer related business (the "Computer Business") by approximately HK\$30 million during the Period.

The Group's gross profit dropped by approximately 7% to around HK\$71 million during the Period, down from last year's figure of about HK\$76 million while the gross profit margin maintained at around 15.4% (Corresponding Period: about 15.4%). In analysis of the two core business operations, the gross profit margin of the distribution of electronic components, automation parts and equipment under the service **MOBICON** branding (the "Electronic Trading Business") was approximately 18.1% (Corresponding Period: about 18.6%) while that of Computer Business stood at around 7.1%. (Corresponding Period: about 7.2%). During the Period, the Group's operating profit amounted to around HK\$10.4 million as compared with approximately HK\$18.9 million in the Corresponding Period, which represented a decrease of about 45%. Total operating expenses for the Period increased by 5% to around HK\$61 million (Corresponding Period: approximately HK\$58 million).

The increase in general and administrative expenses during the Period was mainly attributable to the occurrence of bad debts of about HK\$1.5 million and the increase in net exchange loss by HK\$2.4 million (Corresponding Period: net exchange gain approximately HK\$644,000) in which about of HK\$616,000 was derived from the devaluation of Australia dollars deposit. Financial costs for the Period decreased by about 37% to approximately HK\$1.1 million (Corresponding Period: approximately HK\$1.7 million).

Accordingly, the profit attributable to equity holders of the Company was approximately HK\$4.1 million (Corresponding Period: approximately HK\$10.5 million), resulting a drop of about 61% compared with the Corresponding Period, representing basic earnings per share of HK\$0.021. The Board has resolved to declare an interim dividend of HK\$2.0 cents per ordinary share (the Corresponding Period: HK\$2.5 cents per ordinary share) for the period ended 30 September 2008, totaling HK\$4 million.

BUSINESS REVIEW

During the Period, the Group continued to focus on its two core business operations, namely: (1) the Electronic Trading Business; and (2) 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 of computer products under the **VideoCom** (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 76% and 24% of the Group's total turnover respectively for the Period.

Electronic Trading Business

The turnover of the Group's Electronic Trading Business during the Period slightly decreased by 1% to approximately HK\$348 million, which compared to approximately HK\$353 million in the Corresponding Period.

Hong Kong

During the Period, threatened by the worldwide economic crisis, the global economy recorded sluggish growth. Most of our customers were discouraged to expand and invest in their current projects. Buyers from US were the major party being affected mainly due to the collapse of US local property market. This unfavorable factor brought negative effects on the performance of the Group. On the other hand, the Group was able to minimize the impact caused by the crisis by virtue of our huge and diversified customer base.

Meanwhile, the Group has signed the Hong Kong agency agreements with IRtek International (which engages in the sales of Thermal Camera and Infrared Thermometer) and Nichicon (Hong Kong) Limited (which engages in development, production, and sales of capacitors and circuit products) during the Period which was in line with the Group's strategy to become one of the leaders in electronic components distribution business in Hong Kong.

Overseas

During the Period, the aggregate turnover of all the Group's overseas subsidiaries was approximately HK\$83 million, stating a growth of approximately 36% compared with HK\$61 million in the Corresponding Period. The increase was mainly attributable to the remarkable result achieved by the subsidiaries in Singapore and South Africa which raised 41% and 30% on turnover to HK\$35 million and HK\$24 million respectively in comparing with those of the Corresponding Period. Besides, the loss of Taiwan subsidiary was reduced by 38% that further enhanced the overall performance of overseas operations.


In terms of geographical segments and the contributions of Hong Kong, the Asia-Pacific region (other than Hong Kong), South Africa, Europe and other regions, accounted for: 71%, 20%, 5%, 2% and 2% respectively of the Group's total turnover.




Computer Business

During the Period, a significant decrease in the turnover by 21% from HK\$142 million in Corresponding Period to HK\$112 million was recorded in Computer Business while the gross profit margin of Computer Business stood at around 7.1% with no material change when comparing to that of the Corresponding Period.

Computer Retail Business

Restructure program implemented on the retail outlets of the Group under  retail branding was completed during the Period so as to strengthen the operational costs control and ease monitoring. As a result, there was a sharp fall of turnover of Computer Retail Business from HK\$29 million to HK\$14 million and the number of retail outlets was reduced to four as at 30 September 2008.

Meanwhile, another business model which related to retail business on computer accessories under the new branding of  was executed and has gradually gained recognition in the market and been capturing a larger and stable customer base.

Computer Distribution Business & IT Outsourcing Services



During the Period, APower Holdings Limited and A Power Limited, which are subsidiaries of the Company, experienced a decline on turnover by 12% from HK\$101 million in the Corresponding Period to HK\$89 million. The decrease in turnover was attributable to the dramatically drop in the market price of the flash memory session which constantly accounted for a considerable amount of business in these subsidiaries. On the other hand, having launched enterprise protection software with IBM was another representative and successful approach to further establish a professional reputation of APower Holdings Limited in the market.

During the Period, AESI (HK) Limited has recorded a decrease in turnover by 19% from HK\$11 million in the Corresponding Period to HK\$9 million. Among all industries, service providing sector is always one of the most affected sectors when it comes to worldwide economic crisis. AESI (HK) Limited which provides the IT outsourcing services to small and medium sized enterprises was unavoidably being affected on surviving in such challenging business environment.

OUTLOOK

Going forward, the Group has envisaged the future to be challenging. The recent global stock market volatility and tight credit conditions arising primarily from the US subprime mortgage crisis have worsened the global economy and caused its slowdown. This poses a more competitive and difficult environment for the global electronic components industry.

Notwithstanding the uncertain global economic outlook, the Group remains committed to alleviating the impact of the current softening of the economy by continuing to look for business opportunities and avenues of growth, as well as implementing stringent cost saving measures.

In order to further diversify the Group's business nature, Maxfair Distribution Limited, one of the subsidiaries of the Company, will principally engage in the distribution of multimedia products. It will have 3 retail shops named i-Style, located separately in Golden Computer Arcade (Sham Shui Po), Mong Kok Computer Centre (Mong Kok) and Wanchai Computer Centre (Wan Chai). In the sooner future, various worldwide computer brands such as Pinnacle, TVS, Techgear, IPUX, DVico will be promoted and launched by the Group.



LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2008, the Group's cash and bank balances amounted to approximately HK\$33 million and the net current assets were approximately HK\$174 million. As at 30 September 2008, the current ratio stood at 2.2 which was dropped from 2.4 as recorded as at 31 March 2008. Out of the Group's cash and bank balances, about 37% and 22% were denominated in Hong Kong dollars and US dollars respectively. The balance of approximately 17%, 9%, 9%, 2%, 2% and 2% of its total cash and bank balances were correspondingly denominated in Australian dollars, South African Rand, Malaysia Ringgit, Singapore dollars, New Taiwan dollars and Chinese Renminbi.

The Group generally finances its operation by internally generated resources and banking facilities provided by several banks in Hong Kong. As at 30 September 2008, the Group had banking facilities for overdrafts, loans and trade finance from several banks totaling approximately HK\$243 million (as at 31 March 2008: approximately HK\$272 million), with an unused balance of approximately HK\$170 million (as at 31 March 2008: approximately HK\$216 million). During the Period, the Group's borrowings bore interest at rates ranging from 2.1% to 5.4% per annum (as at 31 March 2008: ranging from 2.5% to 6.5% per annum). The Directors believe that the Group's existing financial resources are sufficient to fulfill its commitments and working capital requirements.

Compared with audited balances as at 31 March 2008, the Group's trade receivable increased by 22% to HK\$109 million whereas trade payable and inventories increased by 8% and 10% respectively. The substantial increase in accounts receivable was in line with the traditional trend of stronger sales performance in the third quarter compared with that in the first quarter of each calendar year which gave a higher accounts receivable balance as at 30 September 2008. The debtor turnover days and creditor turnover days for the Period was 39 days and 22 days respectively (as at 31 March 2008: 36 days and 23 days respectively).

CAPITAL STRUCTURE

As at 30 September 2008, the Group's gross borrowing, which was repayable within one year, amounted to approximately HK\$73 million (as at 31 March 2008: approximately HK\$56 million). After deducting cash and cash equivalents of approximately HK\$33 million, the Group's net borrowings amounted to approximately HK\$40 million (as at 31 March 2008: approximately HK\$14 million). Total equity as at 30 September 2008 was approximately HK\$190 million (as at 31 March 2008: approximately HK\$189 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, increased to 21% (as at 31 March 2008: 8%).

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 remain stable, and 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 adopted by the Group. As at 30 September 2008, the Group had no significant risk exposure in regard 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 30 September 2008.

COMMITMENT AND CONTINGENT LIABILITIES

As at 30 September 2008, the Group had total outstanding operating lease commitments of approximately HK\$15 million (as at 31 March 2008: approximately HK\$18 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 significant contingent liabilities as at 30 September 2008.

EMPLOYMENT, TRAINING AND REMUNERATION

As at 30 September 2008, the Group's operations engaged a total of 497 full time employees. The Group has also developed its human resources policies and procedures based on performance, merits and market condition. Discretionary bonus is linked to the performance of the Group as well as individual performance. Benefits include staff accommodation, medical scheme, share option scheme, Mandatory Provident Fund Scheme for employees in Hong Kong, Employment 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.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		Six months ended 30 September	
		2008	2007
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Revenue	2	460,181	495,102
Cost of sales		(389,310)	(419,062)
Gross profit		70,871	76,040
Other income		714	813
Distribution and selling expenses		(23,402)	(23,892)
General and administrative expenses		(37,814)	(34,084)
Operating profit	3	10,369	18,877
Finance costs	4	(1,087)	(1,725)
Share of profit of an associate		323	11
Profit before income tax		9,605	17,163
Income tax expense	5	(3,530)	(3,921)
Profit for the period		6,075	13,242
Attributable to:			
Equity holders of the Company		4,112	10,509
Minority interests		1,963	2,733
		6,075	13,242
Earnings per share for profit attributable to the equity holders of the Company during the period			
– Basic and diluted	7	HK 2.1 cents	HK 5.3 cents
Dividends	6	4,000	5,000

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

	Note	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	15,883	17,269
Intangible assets	10	302	907
Investment in an associate		669	819
		<u>16,854</u>	<u>18,995</u>
Current assets			
Inventories		162,828	148,038
Trade receivables	11	109,226	89,460
Other receivables		11,157	12,195
Current income tax recoverable		1,678	2,345
Cash and bank balances		32,956	41,952
		<u>317,845</u>	<u>293,990</u>
Total assets		<u>334,699</u>	<u>312,985</u>
Current liabilities			
Trade payables	12	50,504	46,698
Other payables		18,511	19,175
Short-term bank loans		72,919	56,335
Current income tax liabilities		2,284	1,670
		<u>144,218</u>	<u>123,878</u>
Net current assets		<u>173,627</u>	<u>170,112</u>
Total assets less current liabilities		<u>190,481</u>	<u>189,107</u>
Non-current liabilities			
Deferred income tax liabilities		474	490
Net assets		<u>190,007</u>	<u>188,617</u>
Capital and reserves attributable to the Company's equity holders			
Share capital	13	20,000	20,000
Reserves		151,842	152,222
		<u>171,842</u>	<u>172,222</u>
Minority interests		<u>18,165</u>	<u>16,395</u>
Total equity		<u>190,007</u>	<u>188,617</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Attributable to equity holders of the Company							
	Share capital (Unaudited) HK\$'000	Reserves				Total reserves (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
		Share premium (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000			
Balance at 1 April 2008	20,000	16,706	800	512	134,204	152,222	16,395	188,617
Currency translation differences	-	-	-	(492)	-	(492)	(193)	(685)
Total income and expenses recognized directly in equity	-	-	-	(492)	-	(492)	(193)	(685)
Profit for the period	-	-	-	-	4,112	4,112	1,963	6,075
Total recognized income and expenses for the period	-	-	-	(492)	4,112	3,620	1,770	5,390
Dividends paid	-	-	-	-	(4,000)	(4,000)	-	(4,000)
	-	-	-	-	(4,000)	(4,000)	-	(4,000)
Balance at 30 September 2008	20,000	16,706	800	20	134,316	151,842	18,165	190,007

For the six months ended 30 September 2007

	Attributable to equity holders of the Company							
	Share capital (Unaudited) HK\$'000	Reserves				Total reserves (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
		Share premium (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000			
Balance at 1 April 2007	20,000	16,706	800	480	133,904	151,890	13,748	185,638
Currency translation differences	-	-	-	443	-	443	312	755
Total income and expenses recognized directly in equity	-	-	-	443	-	443	312	755
Profit for the period	-	-	-	-	10,509	10,509	2,733	13,242
Total recognized income and expenses for the period	-	-	-	443	10,509	10,952	3,045	13,997
Dividends paid	-	-	-	-	(5,000)	(5,000)	-	(5,000)
	-	-	-	-	(5,000)	(5,000)	-	(5,000)
Balance at 30 September 2007	20,000	16,706	800	923	139,413	157,842	16,793	194,635

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(19,053)	(18,736)
Net cash used in investing activities	(434)	(992)
Net cash generated from financing activities	11,044	12,527
Net decrease in cash and cash equivalents	(8,443)	(7,201)
Cash and cash equivalents, beginning of period	41,952	47,945
Effect of foreign exchange rate changes	(553)	705
Cash and cash equivalents, end of period	32,956	41,449
Analysis of balances of cash and cash equivalents:		
Cash at bank and in hand	27,504	41,449
Short-term bank deposits	5,452	–
	32,956	41,449

NOTES TO THE INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2008 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The principal accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2008.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2008.

The accounting policies and methods of computation used in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 March 2008.

The following new interpretations are mandatory for the first time for the financial year beginning 1 April 2008 but are not currently relevant for the Group.

HK (IFRIC)-Int 12	Service Concession Arrangements
HK (IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ending 31 March 2009 and have not been early adopted:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HKFRS 2 Amendment	Share-based Payment Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 Amendment	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK (IFRIC)-Int 13	Customer Loyalty Programmes
HK (IFRIC)-Int 15	Agreements for Construction of Real Estate
HK (IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

2. REVENUE AND SEGMENT INFORMATION

Revenue recognized during the period is as follows:

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sales of electronic components, automation parts and equipment	348,312	353,435
Sales of computer products and accessories and service income	111,869	141,667
	460,181	495,102

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. REVENUE AND SEGMENT INFORMATION (continued)

(a) Primary reporting format – business segments

At 30 September 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

Six months ended 30 September 2008
(Unaudited)

	Electronic Trading Business HK\$'000	Computer Business HK\$'000	Unallocated HK\$'000	Group HK\$'000
Revenue	348,312	111,869	–	460,181
Segment results	11,813	(1,646)	202	10,369
Finance costs				(1,087)
Share of profit of an associate				323
Profit before income tax				9,605
Income tax expense				(3,530)
Profit for the period				6,075

Six months ended 30 September 2007
(Unaudited)

	Electronic Trading Business HK\$'000	Computer Business HK\$'000	Unallocated HK\$'000	Group HK\$'000
Revenue	353,435	141,667	–	495,102
Segment results	19,547	(1,043)	373	18,877
Finance costs				(1,725)
Share of profit of an associate				11
Profit before income tax				17,163
Income tax expense				(3,921)
Profit for the period				13,242

2. REVENUE AND SEGMENT INFORMATION (continued)

(b) Secondary reporting format – geographical segments

The Group operates in the following main geographical areas.

	Six months ended 30 September 2008 (Unaudited)					
	Hong Kong HK\$'000	Asia Pacific HK\$'000	South Africa HK\$'000	Europe HK\$'000	Others HK\$'000	Total HK\$'000
Gross revenue	384,923	104,057	24,863	9,629	5,319	528,791
Less: inter-segments sales	(57,812)	(10,797)	(1)	–	–	(68,610)
Segment revenue	327,111	93,260	24,862	9,629	5,319	460,181
Segment results	7,371	2,101	560	217	120	10,369

	Six months ended 30 September 2007 (Unaudited)					
	Hong Kong HK\$'000	Asia Pacific HK\$'000	South Africa HK\$'000	Europe HK\$'000	Others HK\$'000	Total HK\$'000
Gross revenue	441,595	83,163	19,612	9,850	4,187	558,407
Less: inter-segments sales	(55,589)	(7,713)	(3)	–	–	(63,305)
Segment revenue	386,006	75,450	19,609	9,850	4,187	495,102
Segment results	14,717	2,876	748	376	160	18,877

The above geographical revenue and results are determined on the basis of the destination of delivery of merchandise to customers.

3. EXPENSES BY NATURE

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Cost of inventories expensed	389,310	419,062
Employee benefit expense (Note 8)	32,072	30,930
Amortization of intangible assets (included in general and administrative expenses)	605	605
Depreciation of owned property, plant and equipment	2,345	2,137
Provision for slow-moving inventories (included in cost of sales)	2,788	816
Operating lease rentals in respect of rented premises	4,979	5,878
Provision for impairment of trade receivables (included in general and administrative expenses)	1,456	80
Net foreign exchange losses/(gains)	1,758	(644)
Loss/(gain) on disposal of property, plant and equipment	2	(78)

4. FINANCE COSTS

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest expense on short-term bank loans, wholly repayable within five years	1,087	1,725

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated income statement represents:

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	1,684	2,422
– Overseas taxation	1,882	1,499
– Over-provision in prior periods	(36)	–
	<u>3,530</u>	<u>3,921</u>
Income tax expense	3,530	3,921

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:

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before income tax	<u>9,605</u>	17,163
Tax calculated at Hong Kong profits tax rate of 16.5% (2007: 17.5%)	1,585	3,004
Effect of different tax rates of subsidiaries operating in other countries	675	562
Expenses not-deductible for tax purposes	336	348
Over-provision in prior periods	(36)	–
Others	<u>970</u>	7
Income tax expense	3,530	3,921

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, People's Republic of China ("PRC"), and with a financial year end date falling on 31 December, is subject to PRC enterprise income tax at the rate of 18%. No provision for PRC enterprise income tax has been made as MET is still in a tax loss position. MET is entitled to exemption from PRC enterprise income tax for the first two profitable years commencing from the year ending 31 December 2008 and a 50% reduction from normal PRC enterprise income tax for the three years following.

6. DIVIDENDS

At a meeting held on 18 December 2008, the directors of the Company declared an interim dividend of HK\$0.02 per ordinary share (2007: HK\$0.025 per ordinary share) for the six months ended 30 September 2008. This interim dividend has not been recognized as a liability at the balance sheet date. The interim dividend will be payable on 20 January 2009 to shareholders whose names appear on the Register of Members of the Company on 12 January 2009.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2008 is based on the Group's profit attributable to equity holders of the Company of approximately HK\$4,112,000 (2007: HK\$10,509,000) and on the weighted average number of 200,000,000 ordinary shares (2007: 200,000,000 ordinary shares) in issue during the period.

No diluted earnings per share is presented as there were no potential dilutive ordinary shares in issue during the six months ended 30 September 2008 and 2007.

8. EMPLOYEE BENEFIT EXPENSE

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries, wages and other benefits	30,045	29,286
Pension costs – defined contribution plans	1,788	1,500
Provision for long-service payments	<u>239</u>	144
Total employee benefit expense (including directors' remuneration)	32,072	30,930

9. PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipment for the six months ended 30 September 2008:

	(Unaudited) HK\$'000
Net book amount as at 1 April 2008	17,269
Additions	1,174
Disposals	(39)
Depreciation	(2,345)
Exchange differences	(176)
	<hr/>
Net book amount as at 30 September 2008	15,883

10. INTANGIBLE ASSETS

Movement of intangible assets for the six months ended 30 September 2008:

	Goodwill (Unaudited) HK\$'000	Distribution rights (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Net carrying amount as at 1 April 2008	–	907	907
Amortization charge during the period	–	(605)	(605)
	<hr/>	<hr/>	<hr/>
Net carrying amount as at 30 September 2008	–	302	302

11. 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 trade receivables is as follows:

	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
0 to 60 days	100,340	80,053
61 to 120 days	8,413	8,120
121 to 180 days	2,036	2,187
181 to 365 days	2,298	1,593
	<hr/>	<hr/>
Trade receivables	113,087	91,953
Less: Provision for impairment of trade receivables	(3,861)	(2,493)
	<hr/>	<hr/>
	109,226	89,460

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.

12. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
0 to 60 days	49,210	44,859
61 to 120 days	963	1,464
121 to 180 days	96	127
181 to 365 days	235	248
	<u>50,504</u>	<u>46,698</u>

13. SHARE CAPITAL

	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
Authorized: 2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid: 200,000,000 ordinary shares of HK\$0.10 each	<u>20,000</u>	<u>20,000</u>

14. COMMITMENTS**Operating lease commitments – where the Group is the lessee**

As at 30 September 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
No later than one year	7,601	8,107
Later than one year and no later than five years	7,318	9,787
	<u>14,919</u>	<u>17,894</u>

15. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these condensed consolidated financial report, the Group had the following significant related party transactions during the period:

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

		Six months ended 30 September	
		2008	2007
	<i>Note</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Management fee received from an associate	<i>(i)</i>	66	66
Service fee received from an associate	<i>(ii)</i>	6	24
Interest income received from an associate		28	54
Maintenance fee paid to an associate	<i>(iii)</i>	396	354
Purchase of equipment from an associate		330	–
Programming charges paid to an associate		30	–
Rentals paid/payable to M-Bar Limited	<i>(iv)</i>	2,198	1,916
Rentals paid/payable to a director	<i>(v)</i>	66	66
Rentals paid/payable to spouse of a director	<i>(vi)</i>	51	51
		_____	_____

Note:

- (i) Management fee was received from an associate, Create Tech Software Systems Limited at a fixed monthly rate of HK\$11,000 per month (2007: HK\$11,000 per month from April 2007 to September 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 monthly rate of HK\$1,000 per month (2007: HK\$4,000 per month from April 2007 to September 2007) for providing online-marketing related service.
- (iii) Maintenance fee was paid to an associate, Create Tech Software Systems Limited at a fixed monthly rate of HK\$66,000 per month (2007: HK\$59,000 per month for April 2007 to September 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 were rental deposits paid to M-Bar Limited, Mr. Yeung Kwok Leung, Allix and Madam Wan Lam Keng of approximately HK\$750,000 (as at 31 March 2008: HK\$750,000), HK\$22,000 (as at 31 March 2008: HK\$22,000) and HK\$17,000 (as at 31 March 2008: HK\$17,000) respectively.
- (c) Included in other payables of the Group was amounts due to minority shareholders of certain subsidiaries of approximately HK\$4,268,000 (as at 31 March 2008: HK\$4,507,000). The amounts are unsecured, interest-free and repayable on demand.
- (d) Key management compensation

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	1,980	1,956
Post-employment benefits	24	24
	_____	_____
	2,004	1,980
	_____	_____