SINCE 1983

MOBICON GROUP LIMITED

萬保剛集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1213)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

RESULTS

The Board of Directors (the "Board") of Mobicon Group Limited (the "Company") hereby announces the unaudited interim consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2010 (the "Period") together with comparative figures for the corresponding period in 2009. These unaudited interim results have not been audited by the Company's auditor, but have been reviewed by the Audit Committee of the Company.

* *For identification purposes only*

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Note	Six months ended 30 September 2010 (Unaudited) *HK$'000*	2009 (Unaudited) *HK$'000*
Revenue	*2*	**402,144**	343,848
Cost of sales		**(337,643)**	(289,534)
Gross profit		**64,501**	54,314
Other income		**1,352**	1,032
Distribution and selling expenses		**(20,889)**	(21,995)
General and administrative expenses		**(30,620)**	(28,716)
Operating profit	*3*	**14,344**	4,635
Finance costs	*4*	**(583)**	(489)
Share of profit of an associate		**13**	36
Profit before income tax		**13,774**	4,182
Income tax expense	*5*	**(2,542)**	(2,313)
Profit for the period		**11,232**	1,869
Other comprehensive income:			
Currency translation differences		**1,789**	5,903
Total comprehensive income for the period		**13,021**	7,772
Profit attributable to:			
Equity holders of the Company		**8,658**	1,012
Non-controlling interests		**2,574**	857
		11,232	1,869
Total comprehensive income attributable to :			
Equity holders of the Company		**9,440**	5,103
Non-controlling interests		**3,581**	2,669
		13,021	7,772
Earnings per share for profit attributable to the equity holders of the Company during the period – Basic and diluted	*7*	**HK4.3 cents**	HK0.5 cent

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2010

	Note	As at 30 September 2010 (Unaudited) *HK$'000*	As at 31 March 2010 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**13,480**	12,804
Investment in an associate		**443**	441
		13,923	13,245
Current assets			
Inventories		**158,695**	153,820
Trade receivables	*8*	**93,565**	88,716
Other receivables		**6,998**	7,569
Current income tax recoverable		**1,470**	2,167
Cash and bank balances		**55,805**	52,268
		316,533	304,540
Total assets		**330,456**	317,785
Current liabilities			
Trade payables	*9*	**52,888**	49,831
Other payables		**24,100**	18,139
Short-term bank loans		**60,206**	66,105
Current income tax liabilities		**1,887**	1,966
		139,081	136,041
Net current assets		**177,452**	168,499
Total assets less current liabilities		**191,375**	181,744
Non-current liabilities			
Deferred income tax liabilities		**170**	162
Net assets		**191,205**	181,582
Capital and reserves attributable to the Company's equity holders			
Share capital		**20,000**	20,000
Reserves		**150,485**	143,045
		170,485	163,045
Non-controlling interests		**20,720**	18,537
Total equity		**191,205**	181,582

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2010 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 to 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 2010.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2010, as described in those annual financial statements.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Revised and amended standards adopted by the Group

The following revised standards and amendments to standards are mandatory for the first time for the accounting period beginning on 1 April 2010.

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method in business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  As the Group has applied HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), "Consolidated and separate financial statements", at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss.

2. REVENUE AND SEGMENT INFORMATION

Revenue recognized during the period is as follows:

	Six months ended 30 September 2010 (Unaudited) *HK$'000*	2009 (Unaudited) *HK$'000*
Revenue		
Sales of electronic components, automation parts and equipment	**323,725**	268,843
Sales of computer products and mobile accessories and service income	**78,419**	75,005
	402,144	343,848

The chief operating decision-maker has been identified as the executive directors of the Company (the "Executive Directors"). The Executive Directors have reviewed the Group's internal reports in order to assess the performance and allocate resources; they have also determined the operating segments based on the interim report of the Company for the six months ended 30 September 2010. The Executive Directors have further considered the business from product perspective and have assessed the performance of two main business segments: (i) Electronic Trading Business – Distribution of electronic components, automation parts and equipment; and (ii) Computer Business – Retail sales of computer products and mobile accessories, distribution of computer products and provision of IT outsourcing and solution services.

The Executive Directors have assessed the performance of the operating segments based on segment results before corporate expenses, finance costs and share of profit of an associate.

The segment results for the period ended 30 September 2010 are as follows:

	Six months ended 30 September 2010 (Unaudited)			
	Electronic Trading Business *HK$'000*	**Computer Business** *HK$'000*	**Unallocated** *HK$'000*	**Group** *HK$'000*
Revenue	**323,725**	**78,419**	**–**	**402,144**
Segment results	**15,814**	**(1,032)**	**(438)**	**14,344**
Finance costs				**(583)**
Share of profit of an associate				**13**
Profit before income tax				**13,774**
Income tax expense				**(2,542)**
Profit for the period				**11,232**

The segment results for the period ended 30 September 2009 are as follows:

	Six months ended 30 September 2009 (Unaudited)			
	Electronic Trading Business *HK$'000*	Computer Business *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Revenue	268,843	75,005	–	343,848
Segment results	6,455	(1,881)	61	4,635
Finance costs				(489)
Share of profit of an associate				36
Profit before income tax				4,182
Income tax expense				(2,313)
Profit for the period				1,869

The segment assets and liabilities as at 30 September 2010 and capital expenditure for the period then ended are as follows:

	Electronic Trading Business ***HK$'000***	**Computer Business** ***HK$'000***	**Unallocated** ***HK$'000***	**Group** ***HK$'000***
Assets	**299,155**	**28,716**	**2,142**	**330,013**
Associate	**–**	**443**	**–**	**443**
Total assets	**299,155**	**29,159**	**2,142**	**330,456**
Liabilities	**69,323**	**6,995**	**62,933**	**139,251**
Capital expenditure	**634**	**298**	**–**	**932**

The segment assets and liabilities as at 31 March 2010 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	281,766	32,751	2,827	317,344
Associate	–	441	–	441
Total assets	281,766	33,192	2,827	317,785
Liabilities	61,448	5,864	68,891	136,203
Capital expenditure	587	472	–	1,059

3. EXPENSES BY NATURE

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories expensed	**337,643**	289,534
Employee benefit expense	**31,202**	31,503
Depreciation of owned property, plant and equipment	**981**	1,724
Provision for slow-moving inventories (included in cost of sales)	**1,238**	1,411
Operating lease rentals in respect of rented premises	**5,965**	5,762
Provision for impairment of trade receivables (included in general and administrative expenses)	**2,477**	812
Net foreign exchange gain	**(3,414)**	(2,674)
Loss on disposal of property, plant and equipment	**5**	1

4. FINANCE COSTS

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expense on short-term bank loans, wholly repayable within five years	**583**	489

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) 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 interim statement of comprehensive income represents:

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**1,350**	776
– Overseas taxation	**1,732**	1,537
– Over-provision in prior periods	**(540)**	–
Income tax expense	**2,542**	2,313

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	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit before income tax	**13,774**	4,182
Tax calculated at Hong Kong profits tax rate of 16.5% (2009: 16.5%)	**2,273**	690
Effect of different tax rates of subsidiaries operating in other countries	**435**	789
Income not taxable for tax purpose	**(242)**	(265)
Expenses not-deductible for tax purposes	**209**	190
Over-provision in prior periods	**(540)**	–
Others	**407**	909
Income tax expense	**2,542**	2,313

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 ended 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 24 November 2010, the directors of the Company declared an interim dividend of HK$0.015 per ordinary share (2009: HK$0.005 per ordinary share) for the six months ended 30 September 2010. This interim dividend has not been recognized as a liability at the end of the reporting date. The interim dividend will be payable on 30 December 2010 to shareholders whose names appear on the Register of Members of the Company as at 20 December 2010.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2010 is based on the Group's profit attributable to equity holders of the Company of approximately HK$8,658,000 (2009: HK$1,012,000) and on the weighted average number of 200,000,000 ordinary shares (2009: 200,000,000 ordinary shares) in issue during the period.

There is no diluted earnings per share since the Company has no dilutive potential ordinary shares in issue during the six months ended 30 September 2010 and 2009.

8. 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 2010 (Unaudited) *HK$'000*	As at 31 March 2010 (Audited) *HK$'000*
0 to 60 days	**84,179**	79,105
61 to 120 days	**5,501**	4,787
121 to 180 days	**1,286**	1,095
Over 180 days	**9,054**	8,253
Trade receivables	**100,020**	93,240
Less: Provision for impairment of trade receivables	**(6,455)**	(4,524)
	93,565	88,716

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.

9. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	As at 30 September 2010 (Unaudited) *HK$'000*	As at 31 March 2010 (Audited) *HK$'000*
0 to 60 days	**50,234**	48,496
61 to 120 days	**2,640**	1,321
121 to 180 days	**(179)**	(75)
Over 180 days	**193**	89
	52,888	49,831

FINANCIAL RESULTS

The Group recorded a turnover of approximately HK$402 million during the Period which represented a significant increase of approximately 17% from the turnover of approximately HK$344 million for the six months ended 30 September 2009 (the "Corresponding Period"). The increase in the turnover was mainly attributable to the recovery of the global economy during the Period, and the attribution was significant in the Group's electronic trading business.

During the Period, the Group's gross profit rose by approximately 19% to approximately HK$64 million from last year's gross profit of approximately HK$54 million while the gross profit margin maintained at approximately 16% (Corresponding Period: approximately 15.8%). By analysing the two core business operations of the Group, the gross profit margin of the distribution business of electronic components, automation parts and equipment under the brand of MOBICON (the "Electronic Trading Business") was approximately 17.1% (Corresponding Period: approximately 16.9%) while the gross profit of the computer business (the "Computer Business") was approximately 11.6%. (Corresponding Period: approximately 11.9%). In line with the growth in the turnover, the Group's operating profit increased significantly by approximately 211% from HK$4.6 million in the Corresponding Period to approximately HK$14.3 million during the Period. The total operating expenses for the Period slightly increased by 2% to approximately HK$52 million (Corresponding Period: approximately HK$51 million).

Even though there was remarkable improvement in the Group's turnover, the selling and distribution expenses dropped by 5% or HK$1 million from HK$22 million to HK$21 million, whereas general and administrative expenses increased 7% from HK$29 million to HK$31 million for the Period. These proved the increase in the Group's productivity. Financial costs for the Period increased by about 20% to approximately HK$0.6 million (Corresponding Period: approximately HK$0.5 million).

Accordingly, the profit attributable to the equity holders of the Company was approximately HK$8.7 million (Corresponding Period: approximately HK$1 million), resulting a notable rise of about 770% compared with that of recorded in the Corresponding Period, representing basic earnings per share of HK$0.043. The Board has resolved to declare an interim dividend of HK1.5 cents per ordinary share (the Corresponding Period: HK0.5 cent per ordinary share) for the period ended 30 September 2010, totaling HK$3 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 and mobile accessories under the retail brand of (the "Computer Retail Business"); (ii) the distribution of computer products under the brand of (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 80% and 20% 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 was approximately HK$324 million, which represented a rise of approximately 20% compared with HK$269 million in the Corresponding Period.

Hong Kong

Most of the manufacturers faced the problem of labour shortage and the increase in the labour cost. They are inclined to research and develop innovative products. As there was a shortage in the electronic components market, the Group's "Urgent Requirement Service" has enhanced both the customers' and the Group's supply chain management. The newly introduced suppliers of NOR Flash and SDRAM also allowed the Group to satisfy customers' needs, and provide customers with more choices when they look for electronic components. At the same time, the Group actively introduced agent lines, including Atmel, Diodes Zetex, LRC, Pointec and UTC, to customers' design-in projects which helped to diverse the product application areas.

The Group continues to enforce stringent cost saving measures by controlling the staff headcount, which has decreased by about 3.3% to 436 full-time employees from 451 full-time employees in the Corresponding Period.

Overseas

During the Period, the aggregate turnover of all of the Group's overseas subsidiaries increased by 17% to approximately HK$84 million, compared to that of approximately HK$72 million in the Corresponding Period. The increase was mainly contributed by the subsidiaries in Malaysia and South Africa. The Malaysian economy was less affected by the global economic crisis, therefore the local economy recovered quickly and an increase in local demand was recorded. Meanwhile, in South Africa there was a significant increase in the demand for power supply products in industrial market. The subsidiary in South Africa provided a full series of power supply products and kept extra stock, which allow the subsidiary to fulfill the local demand. During the Period, the turnover of our Malaysia and South Africa subsidiaries increased by 29% and 17% to HK$18 million and HK$28 million respectively, compared with that of HK$14 million and HK$24 million in the Corresponding Period.

In terms of geographical segments, the turnover from Hong Kong, the Asia-Pacific region (other than Hong Kong), South Africa, Europe and other regions accounted for 60%, 30%, 7%, 2% and 1% respectively of the Group's total turnover.

Computer Business

During the Period, the turnover from the Computer Business increased by 4% from HK$75 million in Corresponding Period to HK$78 million while the gross profit margin of the Computer Business maintained at about 11.6% (Corresponding Period: approximately 11.9%).

Computer Retail Business

The Group continued to invest in the expansion of coverage for its retail business. During the Period, the turnover from the Computer Retail Business increased by about 17% from HK$9.7 million in the Corresponding Period to about HK$11.3 million. Moreover, the Group has successfully controlled the cost by relocating its shops out of the traditional computer centers. During the Period, the operating profit from the Computer Retail Business increased significantly by about 280% from HK$0.5 million in the Corresponding Period to about HK$1.9 million.

Computer Distribution Business & IT Outsourcing Services

During the Period, the Computer Distribution Business recorded a decrease in turnover by about 5% from HK$59 million in the Corresponding Period to about HK$56 million. The drop mainly attributed by APower Holdings Limited, a subsidiary of the Company. Comparing with the Corresponding Period, the price of flash memory has dropped by 30%, which greatly affected the performance of APower Holdings Limited as flash memory accounted for 70% of its total business.

Notwithstanding the above, during the Period, the Group has signed agency agreements with Mobile Link Technology Limited (feminine mobile accessories under the brand femme de Pivot) and Shine Property Company Limited (ear headphone under the brand Mosaic) for the Hong Kong region to increase varieties in high profit margin products. The gross profit margin of APower Holdings Limited has increased slightly to 7.6% during the Period comparing with 7.1% in the Corresponding Period.

The turnover of another subsidiary of the Company, AESI (HK) Limited, increased significantly by about 57% from HK$7 million in the Corresponding Period to about HK$11 million during the Period. With the recovery of the economy, enterprises were willing to invest in information technology. At the same time, AESI (HK) Limited has developed repair and maintenance services which provided long term and stable income.

OUTLOOK

The economy of the US market has recovered gradually from the worldwide financial crisis, which benefits markets primarily engaging in export business such as China and Hong Kong. The demand for creative products is rising, which provides opportunities for Hong Kong manufacturers in product developments. The Group has developed good relationship with suppliers for international brands and plans to keep extra stock to fulfill the increasing demand in electronic components. In the meantime, the Group will also introduce suppliers providing NOR-Flash and SDRAM in light of the increase in demand of those products.

In the Computer Business, a new retail outlet will be set up at Tuen Mun Butterfly Shopping Center in October 2010. The Group has already set up 10 retail outlets, and targets to set up a total of 20 retail outlets. The Group will continue to look for potential locations to expand the retail coverage and enhance the Group's supply chain management.

The well developed Asian sales network provides the Group with growth opportunities. The Group is able to make use of the network to continuously develop "Local Sales Strategy" for components and computer related products. At the same time, products under brand of and TECHGEAR will be introduced to Malaysia, Taiwan and Singapore in order to increase the Group's market share.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2010, the Group's cash and bank balances amounted to approximately HK$56 million and the net current assets were approximately HK$177 million. As at 30 September 2010, the current ratio stood at 2.3 (as at 31 March 2010: approximately 2.3). Out of the Group's cash and bank balances, about 45% and 25% were denominated in Hong Kong dollars and US dollars respectively. The balance of approximately 12%, 9%, 4%, 3%, 1% and 1% of its total cash and bank balances were correspondingly denominated in Australian dollars, South African Rand, Malaysia Ringgit, Renminbi, Singapore dollars and New Taiwan dollars.

The Group generally finances its operation by internally generated resources and banking facilities provided by banks in Hong Kong. As at 30 September 2010, the Group had banking facilities for overdrafts, loans and trade finance from banks totaling approximately HK$176 million (as at 31 March 2010: approximately HK$172 million), with an unused balance of approximately HK$116 million (as at 31 March 2010: approximately HK$106 million). During the Period, the Group's borrowings bore interest at rates ranging from 1.58% to 2.35% per annum (as at 31 March 2010: ranging from 1.36% to 2.67% per annum). The directors believe that the Group's existing financial resources are sufficient to fulfill its commitments and working capital requirements.

Compared with the audited balances as at 31 March 2010, the Group's trade receivable increased by 6% to HK$94 million whereas the Group's trade payable and inventories increased by 6% to HK$53 million and 3% to HK$159 million respectively. The substantial increase in the 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 2010. The debtors turnover days, the creditors turnover days and the inventory turnover days for the Period was 41 days, 28 days and 84 days respectively (as at 31 March 2010: 40 days, 27 days and 90 days respectively).

CAPITAL STRUCTURE

As at 30 September 2010, the Group's gross borrowing repayable within one year, amounted to approximately HK$60 million (as at 31 March 2010: approximately HK$66 million). After deducting cash and cash equivalents of approximately HK$56 million, the Group's net borrowings amounted to approximately HK$4 million (as at 31 March 2010: approximately HK$14 million). The total equity as at 30 September 2010 was approximately HK$191 million (as at 31 March 2010: approximately HK$182 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, decreased to 2% (as at 31 March 2010: 8%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the Group's transactions were denominated in Hong Kong dollars, Renminbi and US dollars. Given that the exchange rate of Hong Kong dollars against Renminbi has been and is likely to remain stable, and the Hong Kong 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 2010, the Group had no significant risk exposure in regard to foreign exchange contracts, interest rates, currency swaps, or other financial derivatives.

CHARGES ON ASSETS

As at 30 September 2010, the properties with the carrying value of approximately HK$10 million have been pledged to secure the general banking facilities granted to the Singapore subsidiary.

COMMITMENT AND CONTINGENT LIABILITIES

As at 30 September 2010, the Group had total outstanding operating lease commitments of approximately HK$13 million (as at 31 March 2010: approximately HK$13 million). In view of the Group's high level of liquidity, 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 2010.

EMPLOYMENT, TRAINING AND REMUNERATION

As at 30 September 2010, the Group's operations engaged a total of 436 full-time employees (as at 31 March 2010: 444). 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 of the employee. Benefits include staff accommodation, medical scheme and share option scheme, as well as Mandatory Provident Fund Scheme, Employment Provident Fund Scheme, Central Provident Fund Scheme and state-sponsored retirement plans for the respective employees in Hong Kong, Malaysia, Singapore and the People's Republic of China.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 15 December 2010 (Wednesday) to 20 December 2010 (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 shares 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 14 December 2010 (Tuesday).

DEALINGS IN COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed shares during the six months ended 30 September 2010. 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 2010.

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:

(i) According to the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The roles of the Chairman and the CEO of the Company are not separated and are performed by the same individual, Ms. Yeung Man Yi, Beryl. The directors consider that this structure provides the Group with strong and consistent leadership in the Company's decision making and operational efficiency.

(ii) According to the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. 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. Pursuant to the code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. 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.

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 enquiries with the directors of the Company, the Company was of the view that the directors had complied with the said Code of Conduct throughout the Period.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group; it has also discussed with the directors about the internal controls and financial reporting matters including the reviewing of the unaudited condensed consolidated financial statements for the six months ended 30 September 2010. The Audit Committee comprises three independent non-executive directors, namely Dr. Leung Wai Cheung (Chairman), Mr. Charles E. Chapman and Mr. Chow Shek Fai.

MEMBERS OF THE BOARD

As at the date of this report, the Board comprises 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, bankers and shareholders.

By order of the Board
Yeung Man Yi, Beryl
Chief Executive Officer

Hong Kong, 24 November 2010