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 2011

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 2011 (the "Period") together with comparative figures for the corresponding period in 2010. 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 2011

	Note	Six months ended 30 September 2011 (Unaudited) HK$'000	2010 (Unaudited) HK$'000
Revenue	3	**317,774**	402,144
Cost of sales		**(258,548)**	(337,643)
Gross profit		**59,226**	64,501
Other income		**999**	1,352
Distribution and selling expenses		**(20,336)**	(20,889)
General and administrative expenses		**(32,997)**	(30,620)
Operating profit	4	**6,892**	14,344
Finance costs	5	**(476)**	(583)
Share of (losses)/profits of associates		**(24)**	13
Profit before income tax		**6,392**	13,774
Income tax expense	6	**(2,280)**	(2,542)
Profit for the period		**4,112**	11,232
Other comprehensive income:			
Currency translation differences		**(5,168)**	1,789
Total comprehensive (loss)/income for the period		**(1,056)**	13,021
Profit attributable to:			
Equity holders of the Company		**3,086**	8,658
Non-controlling interests		**1,026**	2,574
		4,112	11,232
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(273)**	9,440
Non-controlling interests		**(783)**	3,581
		(1,056)	13,021
Earnings per share for profit attributable to the equity holders of the Company during the period – Basic and diluted	8	**1.5 cents**	4.3 cents

Details of dividend are disclosed in note 7 to the interim results announcement.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2011

	Note	As at 30 September 2011 (Unaudited) HK$'000	As at 31 March 2011 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**13,126**	13,400
Investments in associates		**1,087**	1,013
		14,213	14,413
Current assets			
Inventories		**183,002**	178,173
Trade receivables	*9*	**68,471**	71,752
Other receivables		**5,823**	7,768
Current income tax recoverable		**833**	1,848
Cash and bank balances		**35,639**	42,413
		293,768	301,954
Total assets		**307,981**	316,367
Current liabilities			
Trade payables	*10*	**44,442**	43,920
Other payables		**32,173**	25,596
Short-term bank loans		**48,204**	53,382
Current income tax liabilities		**2,616**	2,168
		127,435	125,066
Net current assets		**166,333**	176,888
Total assets less current liabilities		**180,546**	191,301
Non-current liabilities			
Deferred income tax liabilities		**235**	246
Net assets		**180,311**	191,055
Capital and reserves attributable to the equity holders of the Company			
Share capital		**20,000**	20,000
Reserves		**146,221**	150,619
		166,221	170,619
Non-controlling interests		**14,090**	20,436
Total equity		**180,311**	191,055

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2011 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2011, as described in those annual financial statements.

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

(a) Amended standards adopted by the Group

The following amended standard is mandatory for the first time for the accounting periods beginning on 1 April 2011.

- Amendment to HKAS 34 "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasizes the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasizes has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant) and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

(b) The following new, revised or amended standards and interpretations are also mandatory for the first time for the financial year beginning 1 April 2011 but are not currently relevant to the Group:

HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Right Issues
HK (IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

Third improvements to Hong Kong Financial Reporting Standards (2010) issued in May 2010 (except for amendment to HKAS 34 "Interim Financial Reporting" as disclosed in Note 2(a))

(c) The following new and amended standards have been issued but are not effective for the financial year beginning 1 April 2011 and have not been early adopted:

HKAS 1 (Amendment)	Presentation of Financial Statements[3]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (Amendment)	Employee Benefits[4]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosures of Interest in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

[1] Changes effective for annual periods beginning on or after 1 July 2011
[2] Changes effective for annual periods beginning on or after 1 January 2012
[3] Changes effective for annual periods beginning on or after 1 July 2012
[4] Changes effective for annual periods beginning on or after 1 January 2013

3. REVENUE AND SEGMENT INFORMATION

Revenue recognized during the period is as follows:

	Six months ended 30 September 2011 (Unaudited) HK$'000	2010 (Unaudited) HK$'000
Revenue		
Sales of electronic components, automation parts and equipment	**249,144**	323,725
Sales of computer products and mobile accessories and service income	**68,630**	78,419
	317,774	402,144

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 these reports. 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 (losses)/profits of associates.

The segment results for the period ended 30 September 2011 are as follows:

	Six months ended 30 September 2011 (Unaudited)			
	Electronic Trading Business *HK$'000*	**Computer Business** *HK$'000*	**Unallocated** *HK$'000*	**Group** *HK$'000*
Revenue	**249,144**	**68,630**	**–**	**317,774**
Segment results	**6,699**	**85**	**108**	**6,892**
Interest expenses	**–**	**–**	**(476)**	**(476)**
Share of (losses)/profits of associates	**(66)**	**42**	**–**	**(24)**
Profit before income tax				**6,392**
Income tax expense				**(2,280)**
Profit for the period				**4,112**

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
Interest expenses	–	–	(583)	(583)
Share of profit of an associate	–	13	–	13
Profit before income tax				13,774
Income tax expense				(2,542)
Profit for the period				11,232

The segment assets and liabilities as at 30 September 2011 and additions to non-current assets for the period then ended are as follows:

	Electronic Trading Business *HK$'000*	**Computer Business** *HK$'000*	**Unallocated** *HK$'000*	**Group** *HK$'000*
Assets	**281,108**	**24,198**	**1,588**	**306,894**
Associates	**542**	**545**	**–**	**1,087**
Total assets	**281,650**	**24,743**	**1,588**	**307,981**
Liabilities	**68,258**	**7,606**	**51,806**	**127,670**
Additions to non-current assets	**951**	**147**	**–**	**1,098**

The segment assets and liabilities as at 31 March 2011 and additions to non-current assets for the year then ended are as follows:

	Electronic Trading Business *HK$'000*	Computer Business *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Assets	284,584	28,215	2,555	315,354
Associates	622	391	–	1,013
Total assets	285,206	28,606	2,555	316,367
Liabilities	61,212	7,845	56,255	125,312
Additions to non-current assets	1,044	384	–	1,428

4. EXPENSES BY NATURE

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories expensed	**258,548**	337,643
Employee benefit expense	**31,315**	31,202
Depreciation of owned property, plant and equipment	**960**	981
(Reversal of provision)/provision for slow-moving inventories (included in cost of sales)	**(2,935)**	1,238
Operating lease rentals in respect of rented premises	**6,344**	5,965
Provision for impairment of trade receivables (included in general and administrative expenses)	**162**	2,477
Net foreign exchange loss/(gain)	**1,203**	(3,414)
Loss on disposal of property, plant and equipment	**11**	5

5. FINANCE COSTS

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expense on short-term bank loans, wholly repayable within five years	**476**	583

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**734**	1,350
– Overseas taxation	**1,548**	1,732
– Over-provision in prior periods	**(2)**	(540)
Income tax expense	**2,280**	2,542

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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit before income tax	**6,392**	13,774
Tax calculated at Hong Kong profits tax rate of 16.5% (2010: 16.5%)	**1,055**	2,273
Effect of different tax rates of subsidiaries operating in other countries	**497**	435
Income not taxable for tax purpose	**(393)**	(242)
Expenses not-deductible for tax purposes	**231**	209
Over-provision in prior periods	**(2)**	(540)
Others	**892**	407
Income tax expense	**2,280**	2,542

The Company is exempted from taxation in Bermuda until 2016.

Mobicon Electronic Trading (Shenzhen) Limited ("MET"), being a foreign investment enterprise established in the bonded 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.

7. DIVIDENDS

At a meeting held on 23 November 2011, the directors of the Company declared an interim dividend of HK$0.01 per ordinary share (2010: HK$0.015 per ordinary share) for the six months ended 30 September 2011. This interim dividend has not been recognized as a liability at the date of this announcement. The interim dividend will be payable on 22 December 2011 to shareholders whose names appear on the Register of Members of the Company as at 13 December 2011.

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2011 is based on the Group's profit attributable to the equity holders of the Company of approximately HK$3,086,000 (2010: HK$8,658,000) and on the weighted average number of 200,000,000 ordinary shares (2010: 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 2011 and 2010.

9. 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 2011 (Unaudited) ***HK$'000***	As at 31 March 2011 (Audited) *HK$'000*
0 to 60 days	**62,622**	64,377
61 to 120 days	**4,424**	5,130
121 to 180 days	**148**	851
181 to 365 days	**2,670**	2,937
Trade receivables	**69,864**	73,295
Less: Provision for impairment of trade receivables	**(1,393)**	(1,543)
	68,471	71,752

The maximum exposure to credit risk at the date of this announcement is the carrying amount of trade receivables. The Group does not hold any collateral as security in respect of its trade receivables.

10. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	As at 30 September 2011 (Unaudited) ***HK$'000***	As at 31 March 2011 (Audited) *HK$'000*
0 to 60 days	**43,373**	41,389
61 to 120 days	**(79)**	1,230
121 to 180 days	**(199)**	(169)
181 to 365 days	**1,347**	1,470
	44,442	43,920

FINANCIAL RESULTS

The Group recorded a turnover of approximately HK$318 million during the Period which represented a decrease of approximately 21% from the turnover of approximately HK$402 million for the six months ended 30 September 2010 (the "Corresponding Period"). The drop in the turnover was mainly caused by the slow recovery of the US economy, earthquake in Japan on 11 March 2011 and European debt crisis which resulted in a weak consumption sentiment.

During the Period, the Group's gross profit dropped by approximately 9% from the gross profit of approximately HK$65 million recorded in the Corresponding Period to approximately HK$59 million while the gross profit margin rose to approximately 18.6% (Corresponding Period: approximately 16%). 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 19.9% (Corresponding Period: approximately 17.1%) while the gross profit margin of the computer business (the "Computer Business") was approximately 14.2%. (Corresponding Period: approximately 11.6%). In line with the reduction in the turnover, the Group's operating profit decreased to approximately HK$6.9 million during the Period, representing a drop by approximately 52% from HK$14.3 million in the Corresponding Period. The total operating expenses for the Period slightly increased by approximately 2% to approximately HK$53 million (Corresponding Period: approximately HK$52 million).

The distribution and selling expenses dropped by approximately 4.8% or about HK$1 million from approximately HK$21 million to approximately HK$20 million, whereas general and administrative expenses increased by about 6.5% from approximately HK$31 million to approximately HK$33 million for the Period. Financial costs for the Period decreased by about 16.7% to approximately HK$0.5 million (Corresponding Period: approximately HK$0.6 million).

Accordingly, the profit attributable to the equity holders of the Company was approximately HK$3 million (Corresponding Period: approximately HK$8.7 million), resulting in a notable drop of about 66% compared with that recorded in the Corresponding Period, representing basic earnings per share of HK$0.015. The Board has resolved to declare an interim dividend of HK1 cent per ordinary share (the Corresponding Period: HK1.5 cents per ordinary share) for the period ended 30 September 2011, totaling HK$2 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 VideoCom (the "Computer Retail Business"); (ii) the distribution of computer products under the brand of (the "Computer Distribution Business") and (iii) the provision of information technology 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 78% and 22% 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$249 million, which represented a decrease of approximately 23% as compared with HK$324 million in the Corresponding Period.

Hong Kong

The sluggish recovery of the US economy, the earthquake and tsunami in Japan on 11 March 2011 and the European debt crisis have weakened consumer sentiments, and the Group's customers who focused on export business to the US and European markets have postponed their orders. On the other hand, most of the Group's manufacturing customers were discouraged in production and product innovation. In this circumstance, the Group's business was inevitably affected.

The disaster in Japan has disrupted the supply of various critical electronic components. Because of the critical components shortage, demand for other types of components will also be decreased due to the delay in production.

In 2010, there was a shortage of components in the market and price increment in raw materials. Customers have placed advanced orders at the end of 2010 to keep buffer stock and avoided the price impact. Therefore, order placements during the Period decreased.

The decrease in turnover was also attributed to the transfer out of fulfillment customers which were referred by one of our vendors, and these customers were previously the Group's top ten customers. Nevertheless, transfer out of fulfillment customers brought positive impacts to the gross profit margin of the Electronic Trading Business.

During the Period, the Group has signed the Hong Kong agency agreement with Precaster Enterprises Co., Limited which is specialized in surveying instruments.

Meanwhile, the Group's staff headcount has decreased by about 3.7% from 436 full-time employees in the Corresponding Period to 420 full-time employees as at 30 September 2011. This showed that the Group has successfully enforced stringent cost-saving measures by controlling the staff headcount. Among the Group's subsidiaries, Singapore subsidiary implemented the control policy obviously, the staff headcount has a marked decrease by about 34.6% from 26 full-time employees to 17 full-time employees.

Overseas

During the Period, the aggregate turnover of all of the Group's overseas subsidiaries decreased by approximately 11.9% to approximately HK$74 million, as compared with that of approximately HK$84 million recorded in the Corresponding Period. The drop imputed the subsidiaries in Malaysia, Singapore and Taiwan as they were also affected by the natural disaster in Japan. Although the overall turnover of the Group's overseas subsidiaries decreased, performance of the Group's subsidiary in South Africa was encouraging, its turnover increased significantly by about 25% from approximately HK$28 million during the Corresponding Period to approximately HK$35 million during the Period. Full range of power supply products provided by the South Africa subsidiary of the Group has broadened the customer base from the industrial market.

In terms of geographical segments, the turnover from Hong Kong, the Asia-Pacific region (other than Hong Kong), China, South Africa, Europe and other regions accounted for 56%, 17%, 14%, 11%, 1% and 1% respectively of the Group's total turnover.

Computer Business

During the Period, the turnover from the Computer Business decreased by about 12% from approximately HK$78 million in the Corresponding Period to approximately HK$69 million while the gross profit margin of the Computer Business rose to about 14.2% (Corresponding Period: approximately 11.6%).

Computer Retail Business

Expansion of retail coverage was the Group's persistent strategy in retail business. The turnover of the Computer Retail Business for the Period maintained at about HK$13 million as compared with that of the Corresponding Period.

Computer Distribution Business & IT Outsourcing Services

The Computer Distribution Business recorded a decrease in turnover by about 15% from approximately HK$55 million in the Corresponding Period to about HK$47 million during the Period. The traditional off season has been advanced to August. Moreover, the price of flash memory card has dropped by 15% on average during the Period. This has brought negative impact to APower Holdings Limited, as its principal business is distribution of flash memory card.

Despite the above, the gross profit margin of the Computer Distribution Business has increased to about 9.7% during the Period when compared with 7.6% in the Corresponding Period. APower Holdings Limited has distributed products with higher profit margins, such as smartphone accessories, LED lightings, etc. During the Period, the Group has signed agency agreements with OSRAM Prosperity Co., Limited which provided LED lighting products.

The turnover of another subsidiary of the Company, AESI (HK) Limited, decreased by about 27% from HK$11 million in the Corresponding Period to about HK$8 million during the Period. Because of the downturn of export trade, enterprises were conservative in IT investment.

OUTLOOK

Due to the disaster in Japan, it is expected that enterprises will find new locations outside Japan to set up production lines in order to diversify risk. China and South East Asia are expected to be the desired locations. It would benefit the Group's performance as the Group is ready to serve them with intensive and well developed sales network in South East Asia and China.

Simultaneously, the Group will expand its FAE (Field Application Engineer) team and work closely with vendors' engineers to provide technical support to customers, especially industrial customers, for design-in projects. The Group believed that it would be win-win situation to all three parties.

Furthermore, the Group will pay more effort in the promotion of Crystal Resonator under the brand of MEC™. Crystal Resonator can be widely applied in different fields such as communications, network, equipment, etc. Demand for Crystal Resonator is large in Hong Kong and China markets, so the Group believed that there is a great potential for Crystal Resonator.

For the Computer Business, the Group will continuously expand the dealer network by introducing trendy products under the brand of JT and TECHGEAR, including iPhone earphones, photo scanners, smartphone screen protection films, and Bluetooth keyboards. At the same time, Hong Kong Government has actively promoted energy saving. The Group expected that the demand for LED lighting products will be continuously increased. Accordingly, the Group will introduce various types of LED lighting products to the market in order to expand the customer base.

Apart from the local dealer networks, expanding the oversea dealer networks is also one of the strategies of the Group. Through the oversea dealer networks, the Group's own brand products can further penetrate oversea markets. The Hong Kong headquarter will work closely with the subsidiaries in Singapore, Malaysia and Thailand in order to explore the dealer networks there.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2011, the Group's cash and bank balances amounted to approximately HK$36 million and the net current assets were approximately HK$166 million. As at 30 September 2011, the current ratio stood at 2.31 (as at 31 March 2011: approximately 2.41). Out of the Group's cash and bank balances, about 43% and 24% were denominated in Hong Kong dollars and United States dollars respectively. The balance of approximately 14%, 9%, 8%, 1% and 1% of its total cash and bank balances were correspondingly denominated in South African Rand, Chinese Renminbi, Malaysia Ringgit, 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 2011, the Group had banking facilities for overdrafts, loans and trade finance from banks totaling approximately HK$99 million (as at 31 March 2011: approximately HK$91 million), with an unused balance of approximately HK$51 million (as at 31 March 2011: approximately HK$38 million). During the Period, the Group's borrowings bore interest at rates ranging from 1.69% to 2.29% per annum (as at 31 March 2011: ranging from 1.58% to 2.31% 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 2011, the Group's trade receivables decreased by 5% to HK$68 million whereas the Group's trade payables maintained at HK$44 million. In the meantime, the Group's inventories increased by about 3% to approximately HK$183 million. The decrease in the accounts receivable was in line with the drop of the Group turnover and the increase in the inventories was resulted from the postpone of goods deliver as requested by the customers during the Period. The debtors turnover days, the creditors turnover days and the inventory turnover days for the Period was 40 days, 31 days and 127 days respectively (as at 31 March 2011: 40 days, 27 days and 98 days respectively). The Group recorded net operating cash inflow of HK$15,233,000 and decreased in net borrowing of bank loan of HK$5,178,000 for the period under review, compared with net operating cash inflow of HK$14,028,000 and used in net repayment of bank borrowings of HK$5,899,000 for the same period in 2010.

CAPITAL STRUCTURE

As at 30 September 2011, the Group's gross borrowing repayable within one year, amounted to approximately HK$48 million (as at 31 March 2011: approximately HK$53 million). After deducting cash and cash equivalents of approximately HK$36 million, the Group's net borrowings amounted to approximately HK$12 million (as at 31 March 2011: approximately HK$11 million). The total equity as at 30 September 2011 was approximately HK$180 million (as at 31 March 2011: approximately HK$191 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, slightly increased to 7% (as at 31 March 2011: 5.7%).

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 2011, 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 2011, the properties with the carrying value of approximately HK$10 million have been pledged to secure the general banking facilities granted to the Group's Singapore subsidiary.

COMMITMENT AND CONTINGENT LIABILITIES

As at 30 September 2011, the Group had total outstanding operating lease commitments of approximately HK$21 million (as at 31 March 2011: approximately HK$22 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 2011.

EMPLOYMENT, TRAINING AND REMUNERATION

As at 30 September 2011, the Group's operations engaged a total of 420 full-time employees (as at 31 March 2011: 427). 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 employees. 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 8 December 2011 (Thursday) to 13 December 2011 (Tuesday), 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 7 December 2011 (Wednesday).

DEALINGS IN COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed shares during the six months ended 30 September 2011. 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 2011.

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 deviation stated below:

(i) 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 2011. The Audit Committee comprises three independent non-executive directors, who currently are Dr. Leung Wai Cheung (Chairman), Mr. Charles E. Chapman and Mr. Ku Wing Hong, Eric.

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
Hung Kim Fung, Measure
Chairman

Hong Kong, 23 November 2011

As at the date of this announcement, the board of directors of the Company comprises Dr. Hung Kim Fung, Measure, Madam Yeung Man Yi, Beryl, Mr. Hung Ying Fung, Mr. Yeung Kwok Leung, Allix as executive Directors and Mr. Charles E. Chapman, Dr. Leung Wai Cheung and Mr. Ku Wing Hong, Eric as independent non-executive Directors.