



# MOBICON GROUP LIMITED

## 萬保剛集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1213)

### UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

#### 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 2007 (the "Period") together with comparative figures for the corresponding period in 2006. These unaudited interim results have not been audited by the Company's auditor, but have been reviewed by the Audit Committee of the Company.

#### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

	Note	Six months ended 30 September 2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Revenue	2	495,102	547,732
Cost of sales		(419,062)	(465,977)
Gross profit		76,040	81,755
Other income		813	1,176
Distribution and selling expenses		(23,892)	(23,801)
General and administrative expenses		(34,084)	(40,235)
Operating profit	2, 3	18,877	18,895
Finance costs	4	(1,725)	(2,103)
Share of profit/(loss) of an associate		11	(9)
Profit before income tax		17,163	16,783
Income tax expense	5	(3,921)	(4,164)
Profit for the period		13,242	12,619
Attributable to:			
Equity holders of the Company		10,509	10,427
Minority interests		2,733	2,192
		13,242	12,619
Earnings per share for profit attributable to the equity holders of the Company during the period			
- Basic and diluted	7	5.3 cents	5.2 cents
Dividends	6	5,000	5,000

\* for identification purpose only

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2007

	Note	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		8,323	9,072
Intangible assets		2,146	2,751
Investment in an associate		844	731
		<u>11,313</u>	<u>12,554</u>
<b>Current assets</b>			
Inventories		160,515	156,288
Trade receivables	8	125,346	94,096
Other receivables		18,469	6,422
Income tax recoverable		1,565	2,170
Cash and bank balances		41,449	47,945
		<u>347,344</u>	<u>306,921</u>
<b>Total assets</b>		<u>358,657</u>	<u>319,475</u>
<b>Current liabilities</b>			
Trade payables	9	60,830	52,742
Other payables		20,919	20,266
Short-term bank loans		78,843	59,051
Income tax liabilities		2,924	1,182
		<u>163,516</u>	<u>133,241</u>
<b>Net current assets</b>		<u>183,828</u>	<u>173,680</u>
<b>Total assets less current liabilities</b>		<u>195,141</u>	<u>186,234</u>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		506	596
<b>Net assets</b>		<u>194,635</u>	<u>185,638</u>
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		20,000	20,000
Reserves		157,842	151,890
		<u>177,842</u>	<u>171,890</u>
<b>Minority interests</b>		<u>16,793</u>	<u>13,748</u>
<b>Total equity</b>		<u>194,635</u>	<u>185,638</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2007 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 2007.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2007.

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 2007 except for the adoption of a new standard, an amendment to a standard and interpretations which are effective for the year ending 31 March 2008 as set out below:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC)-Int 8	Scope of HKFRS 2
HK (IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK (IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK (IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the above new standard, amendment to a standard and interpretations did not result in substantial changes to the Group’s accounting policies, where as the adoption of HKAS 1 (Amendment) and HKFRS 7 requires additional disclosures to be made in the annual consolidated financial statements.

The Group has not early adopted any new standards, amendments to standards or interpretations that have been issued but are not effective for the year ending 31 March 2008. The Group has already commenced an assessment of their impact but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

### 2. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the trading and distribution of electronic parts, components and equipment and computer products and accessories. Revenue recognized during the period is as follows:

	Six months ended 30 September	
	2007 (Unaudited) HK\$’000	2006 (Unaudited) HK\$’000
<b>Revenue</b>		
Sales of electronic parts, components and equipment	353,435	405,304
Sales of computer products and accessories	130,699	140,995
Provision of computer related maintenance services	<u>10,968</u>	<u>1,433</u>
	<u>495,102</u>	<u>547,732</u>

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.

(a) *Primary reporting format – business segments*

At 30 September 2007, the Group is organized into two main business segments:

- Electronic products – Trading and distribution of electronic parts, components and equipment
- Computer products – Trading and distribution of computer products and accessories and providing computer related maintenance services

	Six months ended 30 September 2007 (Unaudited)			
	Electronic products HK\$'000	Computer products HK\$'000	Unallocated HK\$'000	Group HK\$'000
<b>Revenue</b>	<u>353,435</u>	<u>141,667</u>	<u>-</u>	<u>495,102</u>
Segment results	19,547	(1,043)	373	18,877
Finance costs				(1,725)
Share of profit of an associate				<u>11</u>
<b>Profit before income tax</b>				<u>17,163</u>
Income tax expense				<u>(3,921)</u>
<b>Profit for the period</b>				<u><u>13,242</u></u>

	Six months ended 30 September 2006 (Unaudited)			
	Electronic products HK\$'000	Computer products HK\$'000	Unallocated HK\$'000	Group HK\$'000
<b>Revenue</b>	<u>405,304</u>	<u>142,428</u>	<u>-</u>	<u>547,732</u>
Segment results	22,317	(2,707)	(715)	18,895
Finance costs				(2,103)
Share of loss of an associate				<u>(9)</u>
<b>Profit before income tax</b>				<u>16,783</u>
Income tax expense				<u>(4,164)</u>
<b>Profit for the period</b>				<u><u>12,619</u></u>

(b) *Secondary reporting format – geographical segments*

The Group operates in the following main geographical areas.

	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	<u>(55,589)</u>	<u>(7,713)</u>	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>(63,305)</u>
Segment revenue	<u>386,006</u>	<u>75,450</u>	<u>19,609</u>	<u>9,850</u>	<u>4,187</u>	<u>495,102</u>
Segment results	<u>14,717</u>	<u>2,876</u>	<u>748</u>	<u>376</u>	<u>160</u>	<u>18,877</u>
	Six months ended 30 September 2006 (Unaudited)					
	Hong Kong HK\$'000	Asia Pacific HK\$'000	South Africa HK\$'000	Europe HK\$'000	Others HK\$'000	Total HK\$'000
Gross revenue	503,955	84,627	19,139	11,684	2,846	622,251
Less: inter-segments sales	<u>(68,871)</u>	<u>(5,638)</u>	<u>(10)</u>	<u>-</u>	<u>-</u>	<u>(74,519)</u>
Segment revenue	<u>435,084</u>	<u>78,989</u>	<u>19,129</u>	<u>11,684</u>	<u>2,846</u>	<u>547,732</u>
Segment results	<u>15,899</u>	<u>1,370</u>	<u>1,095</u>	<u>427</u>	<u>104</u>	<u>18,895</u>

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	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories expensed	419,062	465,977
Employee benefit expense (Note 8)	30,930	29,376
Amortization of intangible assets (included in general and administrative expenses)	605	605
Depreciation of owned property, plant and equipment	2,137	2,084
Provision for slow-moving inventories (included in cost of sales)	816	6,976
Impairment of goodwill (Note 10)	-	715
Operating lease rentals in respect of rented premises	5,878	8,308
Provision for impairment of trade receivables (included in general and administrative expenses)	80	209
Net foreign exchange (gains)/losses	(644)	2,410
Gain on disposal of property, plant and equipment	(78)	(67)

### 4. FINANCE COSTS

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interests on short-term bank loans, wholly repayable within five years	1,725	2,103

### 5. INCOME TAX EXPENSE

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

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	2,422	3,172
– Overseas taxation	1,499	992
Income tax expense	3,921	4,164

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

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before income tax	17,163	16,783
Tax calculated at Hong Kong profits rate of 17.5% (2006: 17.5%)	3,004	2,937
Effect of different tax rates of subsidiaries operating in other countries	562	335
Expenses not-deductible for tax purposes	348	520
Others	7	372
Income tax expense	3,921	4,164

The Company is exempted from taxation in Bermuda until 2016.

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong for the period.

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 15%. No provision for PRC enterprise income tax has been made as MET is entitled to exemption from PRC enterprise income tax for the first two profitable years commencing from the year ended 31 December 2006 and a 50% reduction from normal PRC enterprise income tax (effectively 7.5%) for the three years following.

Pursuant to the Enterprise Income Tax Law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25% and will be effective from 1 January 2008. For the subsidiary operating in the PRC which is currently applying preferential rate, deferred tax is recognized based on the current tax since the implementation measures on transitional policy of preferential tax rates granted under current tax law and administrative regulations have not yet been announced.

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 operate.

#### 6. DIVIDENDS

At a meeting held on 14 December 2007, the directors of the Company declared an interim dividend of HK\$0.025 per ordinary share (2006: HK\$0.025 per ordinary share) for the six months ended 30 September 2007. This interim dividend has not been recognized as a liability at the balance sheet date. The interim dividend will be payable on 25 January 2008 to shareholders whose names appear on the Register of Members of the Company on 18 January 2008.

#### 7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2007 is based on the Group's profit attributable to equity holders of the Company of approximately HK\$10,509,000 (2006: HK\$10,427,000) and on the weighted average number of 200,000,000 ordinary shares (2006: 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 2007 and 2006.

#### 8. TRADE RECEIVABLES

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

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
0 to 60 days	114,552	84,180
61 to 120 days	8,168	6,662
121 to 180 days	1,204	2,330
181 to 365 days	<u>1,955</u>	<u>2,144</u>
Trade receivables	125,879	95,316
Less: Provision for impairment of trade receivables	<u>(533)</u>	<u>(1,220)</u>
	<u>125,346</u>	<u>94,096</u>

The directors consider that the carrying amounts of the Group's trade receivables approximate their fair values.

#### 9. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
0 to 60 days	57,266	50,898
61 to 120 days	2,461	1,190
121 to 180 days	240	191
181 to 365 days	<u>863</u>	<u>463</u>
	<u>60,830</u>	<u>52,742</u>

The directors consider that the carrying amounts of the Group's trade payables approximate their fair values.

## FINANCIAL RESULTS

The Group recorded a turnover of around HK\$495 million during the Period. This represents a decrease of about 10% on the figure of around HK\$548 million for the six months ended 30 September 2006 (the "Corresponding Period"). The decrease in turnover was mainly due to the drop in turnover of Electronic Trading Business by HK\$52 million approximately during the Period.

The Group's gross profit dropped by approximately 7% to around HK\$76 million during the Period, (Corresponding period: about HK\$82 million) while the gross profit margin maintain at around 15.4% (Corresponding Period: about 14.9%). In analysis of the two core business operations, the gross profit margin of Electronic Trading Business was approximately 18.6% (Corresponding Period: about 16.9%) while that of Computer Business stood at around 7.2% (Corresponding Period: about 9.4%).

During the Period, the Group's operating profit amounted to around HK\$18.9 million as compared with approximately HK\$18.9 million in the Corresponding Period, which remained at the same level. Total operating expenses for the Period decreased by 9% to around HK\$58 million (Corresponding Period: approximately HK\$64 million). The major factor contributing to the drop in the expenses was the reduction of rental expenses of approximately HK\$2.4 million as a result of the reduced number of computer retail shops. Financial costs for the Period decreased by 19% to approximately HK\$1.7 million (Corresponding Period: approximately HK\$2.1 million).

As a result of above, the profit attributable to equity holders of the Company was approximately HK\$10.5 million (Corresponding Period: HK\$10.4 million), resulting an increase of 1% compared with the Corresponding Period, representing basic earnings per share of HK\$0.05. The Board has resolved to declare an interim dividend of HK\$2.5 cents per ordinary share (the Corresponding Period: HK\$2.5 cents per ordinary share) for the period ended 30 September 2007, totaling HK\$5 million.

## BUSINESS REVIEW

During the Period, the Group's continued to focus on its two core business operations, namely: (1) the distribution of electronic components, automation parts and equipment under the **MOBICON** serving branding (the "Electronic Trading Business"); and (2) computer related business (the "Computer Business") which includes (i) the retail sales of computer products and accessories under the **VideoCom** retail branding (the "Computer Retail Business") and (ii) the distribution on computer products under the **OPower** (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 71% and 29% of the Group's total turnover for the six months ended 30 September 2007 respectively.

### *Electronic Trading Business*

The turnover of the Group's Electronic Trading Business during the period decreased by 13% to approximately HK\$353 million, which compared to approximately HK\$405 million in the Corresponding Period. With the adoption of price reduction policy to clear those non-RoHS (Restriction of the Use of Certain Hazardous Substances) items since last year, the Group did not need to provide further stock provision during the Period and the gross profit margin of Electronic Trading Business was thus improved from 16.9% to 18.6%.

### *Hong Kong*

During the Period, the large-scale recall of lead-tainted toys made in China carried out by the US caused the decrease in the exported toys volume in China. These recall actions unavoidably led to the drop in the turnover of Group's Electronic Trading Business. It is estimated that most of the mainland toy factories will postpone the peak seasons to the next half year.

The undesirable performance of property market in the US was another factor contributing to the drop in the sales of telecommunication products and it most likely affected the sale performance of the Electronic Trading Business. During the Period, a notable decrease in the sales of telecommunication products by 31% from approximately HK\$54 million in the Corresponding Period to approximately HK\$37 million was experienced.

During the Period, the Group dedicated to improve the website of [www.icmaster.com.hk](http://www.icmaster.com.hk). and diversify its ranges of products therein, in order to bring positive impacts to the Small Order Service, which in turn enables the Group to access to the merchandizing market in every part of the world.

Meanwhile, the Group signed a non-exclusive distribution agent line agreement in Hong Kong with Johnson Electric (Hong Kong) Limited (a provider of motion subsystems and motion components for automotive and industrial applications) in fulfilling 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\$61 million, stating a growth of approximately 13% compared with HK\$54 million in the last year. The increase was mainly attributable to the satisfactory performance on the subsidiary in Singapore of which the turnover increased by 10% compared with that in the last year. The Singapore unit will move to a brand new office in January 2008 aiming to become the center of the ASEAN electronic components distribution business and further expand the markets in Vietnam, Indonesia and Philippine.



In terms of geographical segments, the contributions of Hong Kong, the Asia-Pacific region (other than Hong Kong), South Africa, Europe and other regions, accounted for: 78%, 15%, 4%, 2% and 1% respectively of the Group's total turnover.

Meanwhile, the Group's subsidiary in Singapore has signed an agency contract with Enfis Ltd (a provider of power LED) for distribution in the territories of Singapore, Malaysia, Thailand and Philippines during the Period. The Group's subsidiary in Malaysia has signed an agency contract with a Taiwan company GW Instek (a provider of test and measurement equipment) during the Period.

#### Computer Business

During the Period, a slight decrease in the turnover by 1% from HK\$143 million in Corresponding Period to HK\$142 million was recorded in computer business. Owing to the price fluctuation on the sales of computer memory cards, the gross profit margin of Computer Business was dropped from 9.4% to 7.2%.

#### Computer Retail Business

During the Period, the loss suffered from the Computer Retail Business was reduced from approximately HK\$3 million in the Corresponding Period to approximately HK\$2 million. The Group cut down the number of outlets under  retail branding during the Period so as to ease the heavy rental burden. The Group restructured the operating business model of  by transforming the sale model from trading in outlets into online marketing by means of the Internet. Until now, the performance of online business was satisfactory and the Internet will become a major platform for the Computer Retail Business.

#### Computer Distribution Business & IT Outsourcing Services

During the Period, A Power Limited, which is one of the subsidiaries of the Group, demonstrated a satisfactory performance of an increase in turnover by 68% from HK\$60 million in Corresponding Period to HK\$101 million. During the Period, A Power Limited successfully entered the local game market by selling the trendy game players. After the signing of Hong Kong and Macau exclusive agentship for the product of Kingsoft Internet Security 2007, it has demonstrated a remarkable contribution in expanding the existing number of dealer shops to 1,000 in the local market for A Power Limited. During the Period, AESI (HK) Ltd has achieved significant growth in turnover by 450% from HK\$2 million to HK\$11 million as a consequence of the restructuring of A Power Limited and AESI (HK) Limited where the IT Outsourcing Business for the small and medium sized enterprises was handled by AESI (HK) Limited. Besides, the said company has conducted the product promotion through e-channel to widen the potential customer base.

#### OUTLOOK

Looking ahead, the Group will continue to acquire more agent lines for electronic components, automation parts and equipment in China and other Asian regions, and aims to become a procurement and distribution hub for various renowned brands.

In preparing the establishment of a worldwide business network, the Group will allocate resources to enhance the management of product database. Since the Internet becomes more and more popular today, the Group will focus on online marketing solution and product database management for the implementation of e-marketing strategy aiming to explore new business opportunities through the provision of Small Order Services.

The Group will continue to strengthen the communication between the headquarter and oversea branches. The headquarter will improve the resources allocation among different branches and diversify the ranges of products in order to provide full support to the growth of oversea branches.

#### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2007, the Group's cash and bank balances amounted to approximately HK\$41 million and the net current assets were approximately HK\$184 million. As at 30 September 2007, the current ratio stood at 2.1 which was slightly decreased from 2.3 as recorded as at 31 March 2007. Out of the Group's cash and bank balances, about 52% and 27% were denominated in Hong Kong dollars and US dollars respectively. The balance of approximately 10%, 4%, 3%, 3% and 1% of its total cash and bank balances were correspondingly denominated in South African Rand, Malaysia Ringgit, Chinese Renminbi, Singapore dollars and New Taiwan dollars.



The Group generally finances its operation by internally generated resources and banking facilities provided by several banks in Hong Kong. As at 30 September 2007, the Group had banking facilities for overdrafts, loans and trade finance from several banks totaling approximately HK\$272 million (as at 31 March 2007: approximately HK\$272 million), with an unused balance of approximately HK\$193 million (as at 31 March 2007: approximately HK\$213 million). During the Period, the Group's borrowings bore interest at rates ranging from 4.8% to 6.3% per annum (as at 31 March 2007: ranging from 4.6% to 6.7% per annum). The Directors believe the Group's existing financial resources are sufficient to fulfill its commitments and working capital requirements.

Compared with audited balances as at 31 March 2007, the Group's trade receivable increased by 33% to HK\$125 million whereas trade payable and inventories increased by 15% and 3% respectively. The substantial increase in trade 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 2007. The debtor turnover days and creditor turnover days for the Period was 40 days and 24 days respectively (as at 31 March 2007: 33 days and 25 days respectively).

#### **CAPITAL STRUCTURE**

As at 30 September 2007, the Group's gross borrowing, which was repayable within one year, amounted to approximately HK\$79 million (as at 31 March 2007: approximately HK\$59 million). After deducting cash and cash equivalents of approximately HK\$41 million, the Group's net borrowings amounted to approximately HK\$38 million (as at 31 March 2007: approximately HK\$11 million). Total equity at 30 September 2007 was approximately HK\$195 million (as at 31 March 2007: approximately HK\$186 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, increased to 19.5% (as at 31 March 2007: 5.9%)

#### **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 2007, 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 2007.

#### **COMMITMENT AND CONTINGENT LIABILITIES**

As at 30 September 2007, the Group had total outstanding operating lease commitments of approximately HK\$9 million (as at 31 March 2007: approximately HK\$14 million). In view of the Group's high level of liquid funds, it is expected that the Group will be able to fulfill all these commitments without any difficulty.

The Group had no significant contingent liabilities as at 30 September 2007.

#### **EMPLOYMENT, TRAINING AND REMUNERATION POLICY**

As at 30 September 2007, the Group's operations engaged a total of 473 full time employees. The Group has also developed its human resources policies and procedures with reference to 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.

#### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from 17 January 2008 (Thursday) to 18 January 2008 (Friday), 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 certificate 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 4:00 p.m. on 16 January 2008 (Wednesday).

#### **DEALINGS IN COMPANY'S LISTED SECURITIES**

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

#### **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. Before 18 July 2007, the roles of the Chairman and the CEO of the Company are not separated and are performed by the same individual, Dr. Hung Kim Fung, Measure. On 18 July 2007, Ms Yeung Man Yi, Beryl has been appointed as the CEO of the Company to comply with this code provision.
- (ii) 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 2007 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.

#### **PUBLICATION OF FURTHER INFORMATION**

The Group's interim report for the six months ended 30 September 2007 containing the interim financial statements and all the applicable information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the website of the Stock Exchange and at the website of the Group in late December 2007.

#### **MEMBERS OF THE BOARD**

As at the date of this announcement, 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, 14 December 2007