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 FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2018

RESULTS

The Board of Directors (the "Directors") of Mobicon Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March 2018 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st March 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	2	**546,672**	627,771
Cost of sales		**(419,909)**	(477,697)
Gross profit		**126,763**	150,074
Other income and gains	3	**5,901**	14,111
Distribution and selling expenses		**(44,040)**	(50,790)
General and administrative expenses		**(92,012)**	(104,406)
Operating (loss)/profit		**(3,388)**	8,989
Finance costs	5	**(2,541)**	(2,496)
(Loss)/profit before income tax		**(5,929)**	6,493
Income tax expense	6	**(5,080)**	(5,241)
(Loss)/profit for the year	4	**(11,009)**	1,252
(Loss)/profit attributable to:			
Equity holders of the Company		**(17,132)**	(3,763)
Non-controlling interests		**6,123**	5,015
		(11,009)	1,252
Loss per share for (loss)/profit attributable to the equity holders of the Company during the year – Basic and diluted *(HK cents)*	7	**(8.57)**	(1.88)

Details of dividends are disclosed in Note 8 to the consolidated financial statements.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2018

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(11,009)**	1,252
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences:		
– Subsidiaries	**7,017**	4,076
Release of translation reserve upon disposal of an associate	**–**	42
Item that will not be reclassified subsequently to profit or loss		
Revaluation losses on property, plant and equipment	**(100)**	(344)
Other comprehensive income, net of tax	**6,917**	3,774
Total comprehensive (expense)/income	**(4,092)**	5,026
Total comprehensive (expense)/income attributable to:		
Equity holders of the Company	**(12,414)**	(3,007)
Non-controlling interests	**8,322**	8,033
	(4,092)	5,026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**16,917**	18,461
Other receivables		**4,704**	5,376
		21,621	23,837
Current assets			
Inventories		**173,681**	179,548
Trade receivables	*9*	**51,657**	47,078
Other receivables and deposits		**22,579**	19,693
Current income tax recoverable		**180**	1,134
Cash and bank balances		**28,251**	45,738
		276,348	293,191
Total assets		**297,969**	317,028
Current liabilities			
Trade payables	*10*	**25,366**	31,627
Other payables and accruals		**11,166**	23,741
Finance lease liabilities		**14**	13
Short-term bank loans		**92,590**	80,200
Current income tax liabilities		**640**	274
		129,776	135,855
Net current assets		**146,572**	157,336
Total assets less current liabilities		**168,193**	181,173
Non-current liabilities			
Finance lease liabilities		**43**	52
		43	52
Net assets		**168,150**	181,121
Capital and reserves attributable to the equity holders of the Company			
Share capital		**20,000**	20,000
Reserves		**122,107**	138,706
		142,107	158,706
Non-controlling interests		**26,043**	22,415
Total equity		**168,150**	181,121

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Application of new and revised Hong Kong Financial Reporting Standards

New standards and amendments to existing standards effective for annual periods beginning on 1st April 2017, relevant to the Group's operation and adopted by the Group:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The Group has adopted these standards and the adoption of these standards did not have a significant impact on the Group's result and financial position.

There are no other new standards or amendments to standards that are effective for the first time for the financial year beginning on or after 1st April 2017 that are expected to have a material impact on the Group.

The amendments to HKAS 7 requires disclosure of changes in liabilities arising from financing activities.

2 REVENUE AND SEGMENT INFORMATION

Revenue recognized during the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Sales of electronic components, automation parts and equipment	**309,029**	350,913
Sales of computer products, mobile accessories and service income	**111,847**	108,169
Sales of cosmetic products	**125,796**	168,689
	546,672	627,771

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. Upon the expansion of the trading of cosmetic retail business, the Executive Directors have further considered the business from product perspective and have assessed the performance of three main business segments: (i) Electronic Trading Business – Distribution of electronic components, automation parts and equipment; and (ii) Computer Business – Retail sales of computer products, mobile accessories, distribution of computer products and provision of IT outsourcing and solution services and (iii) Cosmetic and Online Retail Business – Retail and distribution of cosmetic products through retail shop and online channels.

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

The segment results for the year ended 31st March 2018 are as follows:

	Electronic Trading Business HK$'000	Computer Business HK$'000	Cosmetic and Online Retail Business HK$'000	Unallocated HK$'000	Group HK$'000
Revenue	**309,029**	**111,847**	**125,796**	**–**	**546,672**
Segment results	**10,047**	**887**	**(14,268)**	**(54)**	**(3,388)**
Finance costs					**(2,541)**
Loss before income tax					**(5,929)**
Income tax expense *(Note 6)*					**(5,080)**
Loss for the year					**(11,009)**
Other segment items included in the consolidated statement of profit or loss are as follows:					
Depreciation	**1,220**	**345**	**3,135**	**–**	**4,700**
Provision for impairment of trade receivables	**432**	**–**	**–**	**–**	**432**
Reversal of provision for trade receivables	**(268)**	**–**	**–**	**–**	**(268)**
(Reversal)/provision for slow-moving inventories	**23**	**(184)**	**77**	**–**	**(84)**

The segment results for the year ended 31st March 2017 are as follows:

	Electronic Trading Business *HK$'000*	Computer Business *HK$'000*	Cosmetic and Online Retail Business *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Revenue	350,913	108,169	168,689	–	627,771
Segment results	9,809	(1,528)	(6,577)	7,285	8,989
Finance costs					(2,496)
Profit before income tax					6,493
Income tax expense *(Note 6)*					(5,241)
Profit for the year					1,252
Other segment items included in the consolidated statement of profit or loss are as follows:					
Depreciation	1,266	633	4,908	–	6,807
Provision for impairment of trade receivables	243	–	–	–	243
Reversal of provision for impairment of trade receivables	(34)	–	–	–	(34)
Provision for slow-moving inventories	2,504	97	–	–	2,601

The Group's revenue is generated mainly within Hong Kong, Asia Pacific, South Africa and Europe.

	2018 *HK$'000*	2017 *HK$'000*
Revenue		
Hong Kong (country of domicile)	**369,645**	435,436
Asia Pacific	**91,009**	106,357
South Africa	**78,314**	76,704
Europe	**1,659**	1,888
Other countries	**6,045**	7,386
	546,672	627,771

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

3 OTHER INCOME AND GAINS

	2018 *HK$'000*	2017 *HK$'000*
Management fee received from an associate	**–**	51
Management fee received from third parties	**1,852**	1,932
Commission income	**2,940**	2,774
Interest income from bank deposits	**261**	357
Gain on disposal of associates	**–**	6,667
Other income	**848**	2,330
	5,901	14,111

4 (LOSS)/PROFIT FOR THE YEAR

(Loss)/profit for the year has been arrived at after charging/(crediting)

	2018 *HK$'000*	2017 *HK$'000*
Costs of inventories expensed	**419,909**	477,697
Employee benefit expense	**59,533**	65,113
Depreciation of owned property, plant and equipment	**4,700**	6,807
Provision for impairment of trade receivables (included in general and administrative expenses)	**432**	243
Reversal of provision for impairment of trade receivables	**(268)**	(34)
(Reversal of)/provision for slow-moving inventories (included in cost of sales)	**(84)**	2,601
Operating lease rentals in respect of rented premises	**39,126**	46,490
Auditors' remuneration	**1,110**	1,028
Gain on disposal of property, plant and equipment (included in general and administrative expenses)	**(90)**	(8)
Net foreign exchange loss/(gain) (included in general and administrative expenses)	**1,296**	(1,612)

5 FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest expense on short-term bank loans	**2,539**	2,495
Finance lease charges	**2**	1
	2,541	2,496

6 INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2018	2017
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong Profits Tax	**295**	348
– Overseas taxation	**4,823**	4,899
– Over provision in prior years	**(38)**	(6)
Income tax expense	**5,080**	5,241

7 LOSS PER SHARE

The calculation of basic loss per share for the year ended 31st March 2018 is based on the Group's loss attributable to equity holders of the Company of approximately HK$17,132,000 (2017: HK$3,763,000) and on the weighted average number of 200,000,000 (2017: 200,000,000) ordinary shares in issue during the year.

The diluted loss per share is equal to the basic loss per share as the Company has no dilutive potential ordinary shares in issue during the years ended 31st March 2018 and 2017.

8 DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Interim dividend paid of HK cent 0.5 (2017: HK cent 0.5) per ordinary share	**1,000**	1,000
Proposed final dividend of HK cent 0.5 (2017: HK cent 0.5) per ordinary share	**1,000**	1,000
	2,000	2,000

At a meeting held on 22nd June 2017, the directors of the Company proposed a final dividend of HK cent 0.5 per ordinary share in respect of the year ended 31st March 2017.

At a meeting held on 26th June 2018, the directors of the Company proposed a final dividend of HK cent 0.5 per ordinary share in respect of the year ended 31st March 2018. This proposed final dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st March 2019.

9 TRADE RECEIVABLES

The Group normally grants to its customers credit periods for sales of goods ranging from 7 to 90 days. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on due dates:

	2018	2017
	HK$'000	*HK$'000*
0 to 60 days	**49,245**	46,109
61 to 120 days	**2,048**	717
121 to 180 days	**212**	54
181 to 365 days	**152**	198
	51,657	47,078

The maximum exposure to credit risk at the reporting date is the fair values of trade receivables. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. The Group does not hold any collateral as security in respect of its trade receivables.

10 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 to 60 days	**24,419**	30,723
61 to 120 days	**250**	146
121 to 180 days	**445**	575
181 to 365 days	**252**	183
	25,366	31,627

FINANCIAL RESULTS

For the financial year ended 31st March 2018, the Group recorded a revenue of around HK$547 million, representing a decrease of about 12.9% from approximately HK$628 million recorded in the last year. Gross profit decreased by about 15.3% from approximately HK$150 million in the last year to around HK$127 million in this year, while the gross profit margin decreased by approximately 0.7% to around 23.2% from about 23.9% in the last year. The Group recorded an operating loss of approximately HK$3.4 million (31st March 2017: profit of approximately HK$9.0 million). The loss attributable to shareholders was approximately HK$17.1 million (31st March 2017: approximately HK$3.8 million). This represented loss per share of around HK$0.086 (loss per share of around HK$0.019 as at 31st March 2017). The Board has resolved that subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, a final dividend of HK0.5 cent per ordinary share shall be declared for the year ended 31st March 2018, totally HK$1 million to the shareholders whose names appeared on the register of members of the Company on 16th August 2018. The final dividend, if approved, is expected to be paid on 27th August 2018.

During the year under review, the Group continued to focus on its three core business operations, namely: (1) the distribution of electronic components, automation parts and equipment under the brand of MOBICON (the "Electronic Trading Business"); and (2) the Computer Business which includes (i) the retail sales of computer products and smartphone accessories under the brand of VideoCom (the "Computer Retail Business") and (ii) the distribution of computer products and consumer products under the brand of APower (the "Computer Distribution Business"); and (3) the Cosmetic and Online Retail Business mainly under the brand of wishh!. During the year under review, the Group's revenue derived from the Electronic Trading Business decreased approximately 12.0% to about HK$309 million from approximately HK$351 million in the last year. Revenue from the Computer Business was recorded at about HK$112 million, which represented an increase of approximately 3.7% from about HK$108 million in the last year. Revenue from Cosmetic and Online Retail Business decreased approximately 25.4% to about HK$126 million from approximately HK$169 million in the last year.

For the year ended 31st March 2018, the Group's total operating expenses were approximately HK$136 million, representing a decrease of about 12.3% (31st March 2017: about HK$155 million), among which the distribution and selling expenses were approximately HK$44 million which have decreased by approximately 13.7% from HK$51 million recorded in the last year. During the year under review, the general and administrative expenses decreased by about 11.5% to around HK$92 million (31st March 2017: about HK$104 million). The Group continued to monitor the overall headcount. As at 31st March 2018, the headcount for the Electronic Trading Business decreased from 273 full-time employees last year by about 3.3% to 264 full-time employees while the headcount for the Computer Business decreased from 58 full-time employees last year by about 1.7% to 57 full-time employees and the headcount for Cosmetic and Online Retail Business decreased from 91 full time employees last year by about 27.5% to 66 full time employees. Meanwhile, finance cost for the year under review was more or less the same as last year to approximately HK$2.5 million.

BUSINESS REVIEW

During the year under review, the Group operated in three core business operations, namely: (1) the distribution of electronic components, automation parts and equipment under the brand of (the "Electronic Trading Business"); (2) the Computer Business which includes (i) the retail sales of computer products and smartphone accessories under the brand of (the "Computer Retail Business") and (ii) the distribution of computer products and consumer products under the brand of (the "Computer Distribution Business"); and (3) the Cosmetic and Online Retail Business mainly under the brand of . The Electronic Trading Business, the Computer Business and the Cosmetic and Online Retail Business accounted for approximately 56.5% and 20.5% and 23.0% of the Group's total revenue respectively for the year under review.

By analysis on the three core business operations, the gross profit margin of the Electronic Trading Business, the Computer Business and the Cosmetic and Online Retail Business were approximately 22.5%, 17.9% and 29.6% (31st March 2017: approximately 20.9%, 17.1% and 34.6%) respectively for the year ended 31st March 2018.

ELECTRONIC TRADING BUSINESS

Electronic Trading Business remained the primary contributor to the Group's revenue and profits during the year under review and recorded revenue of approximately HK$309 million as compared with that of approximately HK$351 million recorded in the last year, representing a decrease of approximately 12.0%, During the year, a world's leading toys retailer in the United States undertook a financial restructuring and filed for Chapter 11 bankruptcy protect, the toys manufacturers have become more conservative in their production scale and delayed the launched of new toy models. As a result, the demand for our electronic components declined.

During the year under review, the business of the Group's overseas subsidiaries recorded a revenue of approximately HK$110 million (for the year ended 31st March 2017: about HK$104 million), representing an increase of about 5.8%.

The Group's South Africa subsidiary recorded a revenue of approximately HK$78 million, representing an increase of about 1.3% from approximately HK$77 million in the last year. The slowdown of the South Africa economy and the strengthening of the South Africa Rand adversely affected the operating environment. Despite these unfavorable factors, the Group was able to maintain its market competitive in South Africa and generate stable revenue. During the year under review, the Group further acquired 10% of equity interest in its subsidiary in South Africa. It is believed that the Group will benefit from the additional investment in the long run.

Meanwhile, the Group's subsidiary in Singapore maintained steady growth in revenue. It recorded a revenue of approximately HK$21 million (31st March 2017: approximately HK$19 million), representing an increase of about 10.5%. It was mainly attributable to the increase of distributorship from various brands.

COMPUTER BUSINESS

Computer Retail Business

For the year ended 31st March 2018, the Computer Retail Business recorded a revenue of approximately HK$23 million (31st March 2017: approximately HK$25 million), representing a decrease of about 8.0%. During the year under review, the Group relocated 2 of the retail shops to locations where more potential customers can be reached. Revenue dropped temporarily during the relocation process.

Computer Distribution Business

The revenue of the Computer Distribution Business recorded an increase of about 7.2% to approximately HK$89 million (31st March 2017: approximately HK$83 million). The growth was attributable to the introduction of new brands such as Unitek, which contributed considerable amount of revenue during the year under review. In addition, the strengthening of current products range has proven successful. In the second half of the year, the Group marketed a new model of MEC Powerbar and gained positive feedback.

Cosmetic and Online Retail Business

The "One-visit-one-week" policy implemented by the Central Government of China continued to affect the cosmetic retail market adversely. The number of mainland visitors continued to be low though there are signs of improvement. In addition, the popularity of online shopping put pressures on our physical stores retail business. To confront with the challenges, the Group took optimization approach to close down those loss-making retail stores and redeploy the resources to Online Business and other profit making stores. As at 31st March 2018, the number of cosmetic retail stores was reduced to 26 (31st March 2017: 36 retail stores). During the year under review, the Cosmetic and Online Retail Business recorded a revenue of approximately HK$126 million (31st March 2017: approximately HK$169 million), representing a decrease of about 25.4%. Despite the overall segment revenue decreased, the revenue from Online Retail Business recorded a considerable growth.

Overall, in terms of geographical segments, the revenue from Hong Kong, the Asia Pacific region (other than Hong Kong), South Africa, Europe and other regions accounted for approximately 67.6%, 16.7%, 14.3%, 0.3% and 1.1% respectively of the Group's total revenue during the year under review.

DEVELOPMENT STRATEGY AND OUTLOOK

In spite of the accelerated growth of the global economy, there is a growing concern for the uncertainties caused by the government policy of the United States of America ("US"). Currently, it is not possible to predict whether the on-going trade dispute between the US and China will threaten the global economy seriously. However, the Group will closely monitor the situation and assess the impact on our business.

The Group believes that while online shopping puts physical stores under pressure by its increasing popularity, it also offers opportunities. To respond to the challenges and seize the opportunities, the Group has begun to change its strategy. The Group will closely monitor the performance of each of the retail stores. By the end of the next financial year, the number of retail stores will be further reduced to around 15 or less to optimize the overall performance. In the first quarter of the financial year 2018/2019, the Group has closed down 5 retail stores. On the other hand, the Group will endeavour to grasp the opportunities of online business development. The Group will continue to maintain a close business relationship with famous online platforms with a view to expand its customer base. Also, we will further increase the human resources in our Online Retail Business to cope with the rapid development.

With regard to the Electronic Trading Business, the Group will implement stringent cost-control measures to maximize overall profitability to the Group. The cost-control measures include close monitor of its operating expenditure, regular review of its operating procedures and exploration of the possibility of departmental restructuring. In addition, the Group will continue to broaden its customer base in both local and worldwide markets. During the year under review, the Group's subsidiary in China recorded considerable growth in its revenue. We believe that the business in China will maintain steady growth, which is attributable to the sales of IC in LED power supply products. Furthermore, upon noticing the shortages of electronic components, in the first quarter of the financial year 2018/2019, the Group introduced the Urgent Requirement Services for delivery of designated electronic components to our customers in a short period of time. Moreover, to enhance our competitiveness in the South Africa market, the Group targets to add 500 to 2,000 items sourced from China to our product base annually.

Regarding the Computer Retail Business, the Group will strive to improve the competitiveness of the product portfolio including trendy products, life style products and consumer electronic products etc. Our purchasing team will continue to source special and unique products in order to outcompete the fierce market competition. For the traditional wholesale business, the Group has been introducing new brands and products, among which, the sales of MEC Powerbar and the computer products under the brand of "Unitek" are improving steadily with an upward trend.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March 2018, the Group's cash and bank balances amounted to approximately HK$28 million and the net current assets were approximately HK$147 million. As at 31st March 2018, the current ratio decreased to approximately 2.1 (as at 31st March 2017: approximately 2.2). Out of the Group's cash and bank balances, about 49.4% and 19.6% were denominated in Hong Kong dollars and US dollars respectively. The balance of approximately 3.4%, 16.4%, 6.9%, 1.1%, 2.1% and 1.1% of its total cash and bank balances was denominated in Chinese Renminbi, South African Rand, Malaysia Ringgit, New Taiwan dollars, Singaporean dollars and Euro respectively. The Group's total assets amounted to approximately HK$298 million (as at 31st March 2017: approximately HK$317 million). Net assets per share amounted to approximately HK$0.84 (as at 31st March 2017: approximately HK$0.91). Dividend and basic loss per share were approximately HK$0.01 and HK$0.086 respectively (as at 31st March 2017: approximately HK$0.01 and loss per share HK$0.019 respectively).

The Group generally finances its operation by internally generated resources and banking facilities provided by banks in Hong Kong. As at 31st March 2018, the Group had banking facilities for overdrafts, loans and trade finance from banks totalling approximately HK$153 million (as at 31st March 2017: approximately HK$156 million), with an unused balance of approximately HK$60 million (as at 31st March 2017: approximately HK$76 million). The Directors believe that the Group's existing financial resources are sufficient to fulfill its current commitments and working capital requirements.

CAPITAL STRUCTURE

As at 31st March 2018, the total borrowings of the Group were approximately HK$93 million (as at 31st March 2017: approximately HK$80 million), which were in the form of short-term bank loans (including short-term loans and trade finance) for financing the daily business operations and future development plans. The majority of the Group's bank borrowings as at 31st March 2018 were denominated in Hong Kong dollars. These short-term loans and trade finance were secured by the Company's corporate guarantees of around HK$149 million and the leasehold properties in Singapore (as at 31st March 2017: approximately HK$152 million), with a maturity term of one to four months, and such short-term loans can be rolled over afterwards at the Group's discretion.

During the year under review, the Group's borrowings bore interest at rates ranging from 2.68% to 4.2% per annum (as at 31st March 2017: ranging from 2.2% to 3.5% per annum).

GEARING RATIO

As at 31st March 2018, the Group's gross borrowings repayable within one year, amounted to approximately HK$93 million (as at 31st March 2017: approximately HK$80 million). After deducting cash and cash equivalents of approximately HK$28 million (as at 31st March 2017: approximately HK$46 million), the Group's net borrowings amounted to approximately HK$65 million (as at 31st March 2017: approximately HK$34 million). The total equity as at 31st March 2018 was approximately HK$168 million (as at 31st March 2017: approximately HK$181 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, increased to approximately 38.7% (as at 31st March 2017: approximately 18.8%). The increase of net gearing ratio was mainly due to the increase of bank borrowings in relation to the increase of working capital required to support the development of the Cosmetic and Online Retail Business.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the Group's transactions were denominated in Hong Kong dollars, Chinese Renminbi and United States dollars. Given that the exchange rate of Hong Kong dollars against Chinese Renminbi has been and is likely to be under control and that the Hong Kong Government's policy of pegging the Hong Kong dollars to the United States dollars remains in effect, the Directors consider that the risk facing by the Group on foreign exchange will remain minimal and no hedging or other alternative measures have been undertaken by the Group. As at 31st March 2018, the Group had no significant risk exposure pertaining to foreign exchange contracts, interest rates, currency swaps, or other financial derivatives.

CHARGES ON ASSETS

As at 31st March 2018, the properties with carrying value of approximately HK$10 million have been pledged to secure the general banking facilities granted to the Group's subsidiary in Singapore.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 31st March 2018, the Group had total outstanding operating lease commitments of approximately HK$34 million (as at 31st March 2017: approximately HK$61 million). In view of the Group's high level of liquid funds, it is expected that the Group will be able to fulfill all these commitments without any difficulty. The Group had no contingent liabilities as at 31st March 2018.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 31st March 2018, the Group had a total of 387 full-time employees inclusive of its staff in Hong Kong and overseas subsidiaries. The Group has developed its human resources policies and procedures based on the performance, merits and market conditions. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance-based bonuses (based on the Group's financial results as well as individual performance).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 3rd August 2018 to 8th August 2018, both days inclusive, during which period no transfer of shares will be effected. In order to ascertain the right to attend the annual general meeting, all transfers 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 2nd August 2018. The Register of Members of the Company will be closed from 14th August 2018 to 16th August 2018, during which period no transfer of shares will be effected, and the final dividend will be paid on 27th August 2018. In order to qualify for the final dividend, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at the above address not later than 4:30 p.m. on 13th August 2018.

DEALING IN COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with the Code Provisions as set out in the Corporate Governance Code (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year under review except for the following deviations:

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

Code Provision A.4.2 of the Code provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, the Bye-laws of the Company provides that the Chairman and the Deputy Chairman will not be subject to retirement by rotation or be taken into account in determining the number of directors to retire. As continuation of the services of the Chairman and the Deputy Chairman is a key factor to the successful implementation of any long term business plan, the Board believes that present arrangement is most beneficial to the Company and the shareholders as a whole.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the annual results for the year ended 31st March 2018 with the Directors. The Audit Committee comprises three independent non-executive Directors, namely Mr. Charles E. Chapman, Dr. Leung Wai Cheung and Mr. Ku Wing Hong, Eric.

PUBLICATION OF FURTHER INFORMATION

All the financial and other related information of the Company required by paragraphs 45(1) to 45(8) of Appendix 16 to the Listing Rules will be published on the websites of the Stock Exchange and the Company in due course. The annual report containing the financial statements and the notice of annual general meeting will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in early of July 2018.

APPRECIATION

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

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

Hong Kong, 26th June 2018

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 and 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.