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 2019

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 2019 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st March 2019

	Note	**2019** **HK\$'000**	2018 HK\$'000
Revenue	2	**479,396**	546,672
Cost of sales		**(368,194)**	(419,909)
Gross profit		**111,202**	126,763
Other income and net gains	3	**3,787**	5,901
Distribution and selling expenses		**(39,463)**	(44,040)
General and administrative expenses		**(70,587)**	(92,012)
Operating profit/(loss)		**4,939**	(3,388)
Finance costs	5	**(3,181)**	(2,541)
Profit/(loss) before income tax		**1,758**	(5,929)
Income tax expense	6	**(4,672)**	(5,080)
Loss for the year	4	**(2,914)**	(11,009)

* *For identification purposes only*

	Note	**2019** **HK$'000**	2018 HK$'000
(Loss)/profit attributable to:			
Equity holders of the Company		**(7,690)**	(17,132)
Non-controlling interests		**4,776**	6,123
		(2,914)	(11,009)
Loss per share attributable to the equity holders of the Company during the year			
– Basic and diluted *(HK cents)*	*7*	**(3.84)**	(8.57)

Details of dividends are disclosed in Note 8 to this announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2019

	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(2,914)**	(11,009)
Other comprehensive (expense)/income		
Item that may be reclassified subsequently to profit or loss		
Currency translation differences:		
– Subsidiaries	**(11,492)**	7,017
Item that will not be reclassified subsequently to profit or loss		
Revaluation loss on property, plant and equipment	**(157)**	(100)
Other comprehensive (expense)/income, net of tax	**(11,649)**	6,917
Total comprehensive expense	**(14,563)**	(4,092)
Total comprehensive (expense)/income attributable to:		
Equity holders of the Company	**(14,834)**	(12,414)
Non-controlling interests	**271**	8,322
	(14,563)	(4,092)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st March 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**30,160**	16,917
Investment properties		**4,805**	–
Other receivables		**4,032**	4,704
		38,997	21,621
Current assets			
Inventories		**165,044**	173,681
Trade receivables	*9*	**46,653**	51,657
Other receivables and deposits		**16,308**	22,579
Current income tax recoverable		**337**	180
Cash and bank balances		**31,733**	28,251
		260,075	276,348
Total assets		**299,072**	297,969
Current liabilities			
Trade payables	*10*	**27,696**	25,366
Other payables and accruals		**12,899**	11,166
Contract liabilities		**2,434**	–
Loan from a shareholder		**21,245**	–
Finance lease liabilities		**14**	14
Short-term bank loans		**75,138**	92,590
Current income tax liabilities		**530**	640
		139,956	129,776
Net current assets		**120,119**	146,572
Total assets less current liabilities		**159,116**	168,193

	2019	2018
	HK$'000	*HK$'000*
Non-current liabilities		
Finance lease liabilities	**28**	43
	28	43
Net assets	**159,088**	168,150
Capital and reserves attributable to the equity holders of the Company		
Share capital	**20,000**	20,000
Reserves	**104,450**	122,107
	124,450	142,107
Non-controlling interests	**34,638**	26,043
Total equity	**159,088**	168,150

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 and investment properties, 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 judgement in the process of applying the Group's accounting policies.

Application of new and revised Hong Kong Financial Reporting Standards

(a) New standards, amendments and interpretation to existing standards effective for annual periods beginning 1st April 2018, relevant to the Group's operation and adopted by the Group:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advanced Considerations

Detailed impacts of the adoption of HKFRS 9 and HKFRS 15 are disclosed in Notes 1(b) and 1(c) below. The adoption of the other amended standards and interpretation did not have a significant impact on the results and financial position of the Group.

The following table shows the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	31st March 2018 As originally presented *HK$'000*	Effects of the adoption of HKFRS 9 *HK$'000*	Effects of the adoption of HKFRS 15 *HK$'000*	1st April 2018 As restated *HK$'000*
Current assets				
Trade receivables	**51,657**	**(967)**	**–**	**50,690**
Current liabilities				
Other payables and accruals	**11,166**	**–**	**(1,788)**	**9,378**
Contract liabilities	**–**	**–**	**1,788**	**1,788**
Equity				
Reserves	**122,107**	**(823)**	**–**	**121,284**
Non-controlling interests	**26,043**	**(144)**	**–**	**25,899**

(b) HKFRS 9 "Financial Instruments" – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

(i) Classification and measurement

On 1st April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. There were no changes to the classification and measurement of financial instruments. All financial assets and liabilities were at amortized cost.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- Trade receivables; and
- Other financial assets carried at amortized cost.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While other receivables and deposits and bank balances are also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the simplified approach to provide for expected credit losses ("ECL") prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining receivables based on the ageing and shared credit risk characteristics, and applying expected credit loss rates to the respective gross carrying amounts of the receivables. The expected credit loss rates are determined based on past experience and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. Management has closely monitored the credit qualities and the collectability of the trade receivables. The adoption of the simplified expected credit loss approach under HKFRS 9 has resulted in additional provision for impairment of trade receivables amounted to approximately HK$967,000 as at 1st April 2018.

Other financial assets carried at amortized cost

For other financial assets carried at amortized cost, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the impairment will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortized cost and considers that the expected credit loss is immaterial.

(c) HKFRS 15 “Revenue from Contracts with Customers” – Impact of adoption

HKFRS 15 replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. Under the new standard, revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The impacts of the adoption of HKFRS 15 are as follows:

Presentation of contract liabilities

“Receipt in advance from customers” which were previously included in other payables and accruals, amounting to approximately HK$1,788,000, as at 1st April 2018, are now included under contract liabilities to reflect the terminology of HKFRS 15.

Timing of revenue recognition

The adoption of HKFRS 15 does not have a significant impact when the Group recognizes revenue mainly from sales of goods.

2 REVENUE AND SEGMENT INFORMATION

Revenue recognized during the year is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue		
Sales of electronic components, automation parts and equipment	**285,984**	309,029
Sales of computer products, mobile accessories and service income	**94,321**	111,847
Sales of cosmetic products	**99,091**	125,796
	479,396	546,672

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 shops 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 2019 are as follows:

	Electronic Trading Business *HK$'000*	Computer Business *HK$'000*	Cosmetic and Online Retail Business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Revenue from external customers	**285,984**	**94,321**	**99,091**	**–**	**479,396**
Time of revenue recognition					
– At a point in time	**285,984**	**90,772**	**99,091**	**–**	**475,847**
– Over time	**–**	**3,549**	**–**	**–**	**3,549**
	285,984	**94,321**	**99,091**	**–**	**479,396**
Segment results	**9,788**	**3,104**	**(7,885)**	**(68)**	**4,939**
Finance costs					**(3,181)**
Profit before income tax					**1,758**
Income tax expense (Note 6)					**(4,672)**
Loss for the year					**(2,914)**

Other segment items included in the consolidated statement of profit or loss are as follows:

	Electronic Trading Business *HK$'000*	Computer Business *HK$'000*	Cosmetic and Online Retail Business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Depreciation of property, plant and equipment	**1,414**	**323**	**1,404**	**–**	**3,141**
Provision for impairment of trade receivables	**810**	**160**	**88**	**–**	**1,058**
Reversal of provision for impairment of trade receivables	**(780)**	**(77)**	**(35)**	**–**	**(892)**
Reversal of provision for slow-moving inventories	**(2,262)**	**(21)**	**(54)**	**–**	**(2,337)**

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 of property, plant and equipment	1,220	345	3,135	–	4,700
Provision for impairment of trade receivables	432	–	–	–	432
Reversal of provision for impairment of trade receivables	(268)	–	–	–	(268)
(Reversal of provision)/provision for slow-moving inventories	23	(184)	77	–	(84)

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

	2019 ***HK$'000***	2018 *HK$'000*
Revenue		
Hong Kong (country of domicile)	**303,065**	369,645
Asia Pacific	**98,513**	91,009
South Africa	**72,310**	78,314
Europe	**3,400**	1,659
Other countries	**2,108**	6,045
	479,396	546,672

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

3 OTHER INCOME AND NET GAINS

	2019	2018
	HK$'000	*HK$'000*
Management fee received from third parties	**1,333**	1,852
Commission income	**1,141**	2,940
Interest income from bank deposits	**239**	261
Gain on bargain purchase	**5**	–
Gain on disposal of a subsidiary	**391**	–
Gross rental income from investment properties	**114**	–
Fair value loss on investment properties	**(58)**	–
Other income	**622**	848
	3,787	5,901

4 LOSS FOR THE YEAR

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

	2019	2018
	HK$'000	*HK$'000*
Costs of inventories expensed	**368,194**	419,909
Employee benefit expense	**52,569**	59,533
Depreciation of property, plant and equipment	**3,141**	4,700
Provision for impairment of trade receivables (included in general and administrative expenses)	**1,058**	432
Reversal of provision for impairment of trade receivables	**(892)**	(268)
Reversal of provision for slow-moving inventories (included in cost of sales)	**(2,337)**	(84)
Operating lease rentals in respect of rented premises	**25,279**	39,126
Auditors' remuneration	**1,100**	1,110
Loss/(gain) on disposal of property, plant and equipment (included in general and administrative expenses)	**4**	(90)
Net foreign exchange losses (included in general and administrative expenses)	**883**	1,296

5 FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest expense on short-term bank loans	**3,179**	2,539
Finance lease charges	**2**	2
	3,181	2,541

6 INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 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.

	2019	2018
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong Profits Tax	**91**	295
– Overseas taxation	**4,743**	4,823
– Over provision in prior years	**(162)**	(38)
Income tax expense	**4,672**	5,080

7 LOSS PER SHARE

The calculation of basic loss per share for the year ended 31st March 2019 is based on the Group's loss attributable to equity holders of the Company of approximately HK$7,690,000 (2018: HK$17,132,000) and on the weighted average number of 200,000,000 (2018: 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 2019 and 2018.

8 DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Interim dividend paid of HK cents 0.5 (2018: HK cents 0.5) per ordinary share	**1,000**	1,000
Proposed final dividend of HK cents 0.5 (2018: HK cents 0.5) per ordinary share	**1,000**	1,000
	2,000	2,000

At a meeting held on 26th June 2018, the directors of the Company proposed a final dividend of HK cents 0.5 per ordinary share in respect of the year ended 31st March 2018.

At a meeting held on 25th June 2019, the directors of the Company proposed a final dividend of HK cents 0.5 per ordinary share in respect of the year ended 31st March 2019. 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 2020.

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 provision for impairment, presented based on due dates:

	2019	2018
	HK$'000	*HK$'000*
0 to 60 days	**43,937**	49,245
61 to 120 days	**2,397**	2,048
121 to 180 days	**310**	212
181 to 365 days	**9**	152
	46,653	51,657

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:

	2019	2018
	HK$'000	*HK$'000*
0 to 60 days	**25,419**	24,419
61 to 120 days	**985**	250
121 to 180 days	**532**	445
181 to 365 days	**760**	252
	27,696	25,366

FINANCIAL RESULTS

For the financial year ended 31st March 2019, the Group recorded a turnover of around HK$479 million, representing a decrease of about 12.4% from approximately HK$547 million recorded in the last year. Gross profit decreased by about 12.6% from approximately HK$127 million in the last year to around HK$111 million in this year, while the gross profit margin remained unchanged at around 23.2%. The Group recorded an operating profit of approximately HK$4.9 million (31st March 2018: loss of approximately HK$3.4 million). The loss attributable to shareholders was approximately HK$7.7 million (31st March 2018: loss of approximately HK$17.1 million). This represented loss per share of around HK$0.038 (loss per share of around HK$0.086 as at 31st March 2018). 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 HK cents 0.5 per ordinary share shall be declared for the year ended 31st March 2019, totally HK$1 million to the shareholders whose names appeared on the register of members of the Company on 14th August 2019. The final dividend, if approved, is expected to be paid on 26th August 2019.

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 turnover derived from the Electronic Trading Business decreased approximately 7.4% to about HK$286 million from approximately HK$309 million in the last year. Turnover from the Computer Business was recorded at about HK$94 million, which represented a decrease of approximately 16.1% from about HK$112 million in the last year. Turnover from Cosmetic and Online Retail Business decreased 21.4% to about HK$99 million from approximately HK$126 million in the last year.

For the financial year ended 31st March 2019, the Group's total operating expenses were approximately HK$110 million, representing a decrease of about 19.1% (31st March 2018: about HK$136 million), among which the distribution and selling expenses were approximately HK$39 million which have decreased by 11.4% from HK$44 million recorded in the last year. During the year under review, the general and administrative expenses decreased by about 22.8% to around HK$71 million (31st March 2018: about HK$92 million). The Group continued to control the overall headcount. As at 31st March 2019, the headcount for the Electronic Trading Business decreased from 264 full-time employees last year by about 4.9% to 251 full-time employees this year while the headcount for the Computer Business decreased from 57 full-time employees last year by about 7% to 53 full-time employees this year and the headcount for Cosmetic and Online Retail Business decreased from 66 full time employees last year by about 56.1% to 29 full time employees this year. Meanwhile, finance cost for the year under review increased by about 28% to approximately HK$3.2 million (31st March 2018: 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 59.7% and 19.7% and 20.6% of the Group's total turnover 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 23.9%, 20.4% and 23.8% respectively for the year ended 31st March 2019 (31st March 2018: approximately 22.5%, 17.9% and 29.6%).

ELECTRONIC TRADING BUSINESS

Hong Kong

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$286 million as compared with that of approximately HK$309 million recorded in the last year, representing a decrease of approximately 7.4%. The trade war between China and the United States continued to escalate and added uncertainties to the economies of the United States and China as well as the global economy. The impact of trade war has become significant in the second half of the year under review. Our customers became more conservative in their production scale and decreased their purchase orders. Besides, the shutdown of the world's leading toys retailer hit the toys manufacturing industry in Hong Kong. The demand for our electronic components products has been decreasing.

Overseas

The aggregate turnover of all of the Group's overseas subsidiaries was approximately HK$107 million for the year ended 31st March 2019, representing an overall decrease of approximately 2.7% as compared with that of approximately HK$110 million recorded in the last year.

The Group's South Africa subsidiary recorded a turnover of approximately HK$72 million for the year ended 31 March 2019, representing a decrease of about 7.7% from approximately HK$78 million in the last year. The decrease of turnover was mainly due to the depreciation of the South Africa Rand. Despite of these, the Group was able to maintain its market competitive in South Africa and generate stable revenue in terms of local currency.

During the year under review, the Group acquired 51% of the equity interests in Narciso Gomes – Components Electronicos, Lda, a Portuguese electronic components distributor, which operates the same business model as our South Africa subsidiary, Mantech Electronics (Proprietary) Limited. Narciso Gomes – Components Electronicos, Lda is now under the management of Mr. Manuel Arnaldo de Sousa Moutinho, one of the directors of Mantech Electronics (Proprietary) Limited, after completion of the acquisition.

In the Asia market, as the trade war between China and the United States is still on-going, more manufacturers relocated their production plants to South East Asian countries. The performance of our subsidiaries in Singapore and Malaysia continued to improve. Meanwhile in China, the impact of the trade war on the Group's Electronic Trading Business was slight as the local demand for electronic components remained strong.

In terms of geographical segments, the turnover from Hong Kong, the Asia Pacific region (other than Hong Kong), South Africa, Europe and other regions accounted for 63.2%, 20.6%, 15.1%, 0.7% and 0.4% respectively of the Group's total turnover during the year under review.

COMPUTER BUSINESS

Computer Retail Business

For the year ended 31st March 2019, the Computer Retail Business recorded a turnover of approximately HK$21 million (31st March 2018: approximately HK$23 million), representing a decrease of about 8.7%. During the year under review, the Group closed a retail shop and shifted the resources to other profitable shops. The Group will continue to search for suitable shop locations in order to reach more target customers.

Computer Distribution Business

For the year ended 31st March 2019, the turnover of the Computer Distribution Business recorded a decrease of about 18% to approximately HK$73 million (31st March 2018: approximately HK$89 million). The decrease was mainly attributed to the drop in the price of flash memory products. We sourced and introduced some new electronic products during the year in order to maintain the market share in the Computer Distribution Business. With the introduction of such new electronic products which have higher profit margin, the gross profit generated from this segment remained stable.

COSMETIC AND ONLINE RETAIL BUSINESS

During the year under review, the Cosmetic and Online Retail Business recorded a turnover of approximately HK$99 million (31st March 2018: approximately HK$126 million), representing a decrease of about 21.4%. The restructuring of Cosmetic and Online Retail Business has been completed. The Group closed down those loss-making retail stores and redeployed the resources to online stores. As at 31st March 2019, the number of retail stores was reduced to 11 (31st March 2018: 26 retail stores). Meanwhile, the Group is co-operating with a famous online shopping platform, selling wide range of products including cosmetic and beauty products, housewares and groceries. Despite the overall segment revenue decrease, the revenue from online business recorded rapid growth.

DEVELOPMENT STRATEGY AND OUTLOOK

The trade war between China and the United States continues to escalate, the trade war added uncertainties to the economies of the United States and China as well as the global economy. Currently, it is not possible to predict whether the on-going trade dispute between the United States and China will seriously threaten the global economy. However, the Group will closely monitor the situation and assess the impact of the trade war on the Group's business.

The revenue of the Group from online retail business recorded steady growth. This is because of the increasing popularity of online shopping. We are planning to open more online retail stores with different themes and add more resources to develop online retail business. In addition, we will further increase the human resources of the online business to cope with rapid development.

With regard to the Electronic Trading Business, it is expected that more manufacturers will move to other Asian countries due to the trade war between China and the United States. The Group's subsidiaries in Singapore and Malaysia may benefit from this situation, which will bring better business environment in Singapore and Malaysia. In addition, after the presidential election in South Africa, it brings new sights which enhance our confidence in South Africa's prospects. Therefore, we will increase our investment in South Africa with a view to increasing our market share in the Electronic Trading Business in South Africa.

Regarding the Computer Distribution Business, due to the fierce competition in the local market of flash memory card, the Group will strive to enhance the competitiveness of its product portfolio. We will continue to explore distinctive products and introduce new brands and electronic products to maintain the market share of the Computer Distribution business in the local market.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March 2019, the Group's cash and bank balances amounted to approximately HK$32 million and the net current assets were approximately HK$120 million. As at 31st March 2019, the current ratio decreased to approximately 1.9 (as at 31st March 2018: approximately 2.1). Out of the Group's cash and bank balances, about 36% and 16% were denominated in Hong Kong dollars and United States dollars respectively. The balance of approximately 15%, 4%, 20%, 5%, 2% and 2% of its total cash and bank balances was denominated in Euro, Chinese Renminbi, South African Rand, Malaysia Ringgit, New Taiwan dollars and Singaporean dollars respectively. The Group's total assets amounted to approximately HK$299 million (as at 31st March 2018: approximately HK$298 million). Net assets per share amounted to approximately HK$0.80 (as at 31st March 2018: approximately HK$0.84). Dividend and basic loss per share were approximately HK$0.01 and HK$0.038 respectively (as at 31st March 2018: approximately HK$0.01 and basic loss per share HK$0.086 respectively).

The Group generally finances its operation by internally generated resources and banking facilities provided by banks in Hong Kong. As at 31st March 2019, the Group had banking facilities for overdrafts, loans and trade finance from banks totalling approximately HK$111 million (as at 31st March 2018: approximately HK$153 million), with an unused balance of approximately HK$36 million (as at 31st March 2018: 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 2019, the total borrowings of the Group were approximately HK$75 million (as at 31st March 2018: HK$93 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 Group's bank borrowings as at 31st March 2019 were denominated in Hong Kong dollars. These short-term loans and trade finance were secured by the Company's corporate guarantees of around HK$103 million and the leasehold properties in Singapore and Portugal (as at 31st March 2018: HK$149 million).

During the year under review, the Group's borrowings bore interest at rates ranging from 1% to 5.4% per annum (as at 31st March 2018: ranging from 2.7% to 4.2% per annum).

GEARING RATIO

As at 31st March 2019, the Group's gross borrowings repayable within one year, amounted to approximately HK$96 million (as at 31st March 2018: approximately HK$93 million). After deducting cash and cash equivalents of approximately HK$32 million, the Group's net borrowings amounted to approximately HK$64 million (as at 31st March 2018: approximately HK$65 million). The total equity as at 31st March 2019 was approximately HK$159 million (as at 31st March 2018: approximately HK$168 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, increased to 40.6% (as at 31st March 2018: 38.7%).

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 2019, 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 2019, the properties with carrying value of approximately HK$12 million have been pledged to secure the general banking facilities granted to the Group's subsidiaries in Singapore and Portugal.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 31st March 2019, the Group had total outstanding operating lease commitments of approximately HK$18 million (as at 31st March 2018: HK$34 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 2019.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 31st March 2019, the Group had a total of 333 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 1st August 2019 to 6th August 2019, 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 31st July 2019. The Register of Members of the Company will be closed from 12th August 2019 to 14th August 2019, during which period no transfer of shares will be effected, and the final dividend will be paid on 26th August 2019. 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 9th August 2019.

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 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 2019 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 2019.

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, 25th June 2019

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.