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 2010

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 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2010

	Note	2010 HK$'000	2009 HK$'000
Revenue	2	**717,197**	766,795
Cost of sales		**(603,618)**	(644,425)
Gross profit		**113,579**	122,370
Other income	3	**2,591**	2,213
Distribution and selling expenses		**(43,850)**	(47,329)
General and administrative expenses		**(64,424)**	(73,434)
Operating profit	4	**7,896**	3,820
Finance costs	5	**(1,018)**	(2,110)
Share of (loss)/profit of an associate		**(51)**	368
Profit before income tax		**6,827**	2,078
Income tax expense	6	**(3,331)**	(2,469)
Profit/(Loss) for the year		**3,496**	(391)
Other comprehensive income			
Currency translation differences		**7,233**	(4,161)
Total comprehensive income/(loss)		**10,729**	(4,552)
Profit/(loss) attributable to:			
Equity holders of the Company		**1,843**	(1,946)
Minority interests		**1,653**	1,555
		3,496	(391)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**6,396**	(4,573)
Minority interests		**4,333**	21
		10,729	(4,552)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the year – Basic and diluted	7	**HK0.92 cents**	**(HK0.97) cents**

Details of dividends are disclosed in note 8 to the final results announcement.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**12,804**	13,508
Intangible assets		**–**	–
Investment in an associate		**441**	724
		13,245	14,232
Current assets			
Inventories		**153,820**	144,241
Trade receivables	*9*	**88,716**	67,555
Other receivables		**7,569**	8,844
Current income tax recoverable		**2,167**	1,678
Cash and bank balances		**52,268**	35,185
		304,540	257,503
Total assets		**317,785**	271,735
Current liabilities			
Trade payables	*10*	**49,831**	41,301
Other payables		**18,139**	13,291
Short-term bank loans		**66,105**	40,505
Current income tax liabilities		**1,966**	367
		136,041	95,464
Net current assets		**168,499**	162,039
Total assets less current liabilities		**181,744**	176,271
Non-current liabilities			
Deferred income tax liabilities		**162**	181
Net assets		**181,582**	176,090
Capital and reserves attributable to the Company's equity holders			
Share capital		**20,000**	20,000
Reserves		**143,045**	139,649
		163,045	159,649
Minority interests		**18,537**	16,441
Total equity		**181,582**	176,090

NOTES TO THE FINAL RESULTS ANNOUNCEMENT

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The consolidated financial statements have been prepared under the historical cost convention.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended HKFRSs as of 1st April 2009:

- HKFRS 7 Financial Instruments – Disclosures (amendment) – effective 1st January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- HKAS 1 (revised) Presentation of financial statements – effective 1st January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been represented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- HKFRS 2 (amendment) Share-based payment (effective 1st January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group has adopted HKFRS 2 (amendment) from 1st April 2009. The amendment does not have a material impact on the Group's financial statements.

- In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1st January 2009, the Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group previously recognized all borrowing costs as an expense immediately. This change in accounting policy was due to the adoption of HKAS 23 Borrowing costs (2007) in accordance with the transition provisions of the standard; comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share. The Group has capitalized borrowing costs with respect to intangible asset arising from internally generated software costs.

- HKFRS 8 Operating segments (effective 1st January 2009). HKFRS 8 replaces HKAS 14 Segment reporting. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st April 2010 or later periods, but the Group has not early adopted them:

- HK(IFRIC) 17 Distribution of non-cash assets to owners (effective on or after 1st July 2009). The interpretation is part of the HKICPA's annual improvements project published in April/May 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will apply HK(IFRIC) 17 from 1st April 2010. It is not expected to have a material impact on the Group's financial statements.

- HKAS 27 (revised) Consolidated and separate financial statements (effective from 1st July 2009). The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group will apply HKAS 27 (revised) prospectively to transactions with minority interest from 1st April 2010.

- HKFRS 3 (revised) Business combinations (effective from 1st July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) prospectively to all business combinations from 1st April 2010.

- HKAS 38 (amendment) Intangible Assets (effective from 1st July 2009). The amendment is part of the HKICPA's annual improvements project published in April/May 2009 and the Group will apply HKAS 38 (amendment) from the date HKFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's financial statements.

- HKFRS 5 (amendment) Measurement of non-current assets (or disposal groups) classified as held for sale. The amendment is part of the HKICPA's annual improvements project published in April/May 2009. The amendment provides clarification that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1. The Group will apply HKFRS 5 (amendment) from 1st April 2010. It is not expected to have a material impact on the Group's financial statements.

- HKAS 1 (amendment) Presentation of financial statements. The amendment is part of the HKICPA's annual improvements project published in April/May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply HKAS 1 (amendment) from 1st April 2010. It is not expected to have a material impact on the Group's financial statements.

- HKFRS 2 (amendments) group cash-settled share-based payment transactions (effective from 1st January 2010). In addition to incorporating HK(IFRIC)-Int 8 Scope of HKFRS 2, and HK(IFRIC)-Int 11 HKFRS 2 – group and treasury share transactions, the amendments expand on the guidance in IFRIC 11 to address the classification of Group arrangements that were not covered by the interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

2. Revenue and Segment Information

Revenue recognized during the year is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Revenue		
Sales of electronic components, automation parts and equipment	**559,254**	571,610
Sales of computer products and accessories and service income	**157,943**	195,185
	717,197	766,795

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

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

The segment results for the year ended 31st March 2010 are as follows:

	Electronic Trading Business *HK$'000*	**Computer Business** *HK$'000*	**Unallocated** *HK$'000*	**Group** *HK$'000*
Revenue	**559,254**	**157,943**	**–**	**717,197**
Segment results	**11,434**	**(2,985)**	**(553)**	**7,896**
Finance costs				**(1,018)**
Share of loss of an associate	**–**	**(51)**	**–**	**(51)**
Profit before income tax				**6,827**
Income tax expense				**(3,331)**
Profit for the year				**3,496**

The segment results for the year ended 31st March 2009 are as follows:

	Electronic Trading Business *HK$'000*	Computer Business *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Revenue	571,610	195,185	–	766,795
Segment results	7,050	(3,666)	436	3,820
Finance costs				(2,110)
Share of profit of an associate	–	368	–	368
Profit before income tax				2,078
Income tax expense				(2,469)
Loss for the year				(391)

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

	2010 *HK$'000*	2009 *HK$'000*
Revenue		
Hong Kong	**478,216**	544,485
Asia Pacific	**162,225**	150,764
South Africa	**49,763**	41,888
Europe	**14,315**	14,217
Other countries	**12,678**	15,441
	717,197	766,795

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

3. **Other Income**

	Group 2010 *HK$'000*	2009 *HK$'000*
Management fee from an associate	**84**	83
Management fee from a third party	**1,387**	953
Service fee from an associate	**12**	12
Commission income	**9**	3
Interest income from bank deposits	**347**	380
Interest income from an associate	**48**	56
Other income	**704**	726
	2,591	2,213

4. **Expenses by Nature**

	2010 *HK$'000*	2009 *HK$'000*
Costs of inventories expensed	**603,618**	644,425
Employee benefit expense	**63,058**	68,266
Amortization of intangible assets (included in general and administrative expenses)	**–**	907
Depreciation of owned property, plant and equipment	**2,872**	4,153
Provision for impairment of trade receivables (included in general and administrative expenses)	**4,125**	1,948
Provision/(reversal of provision) for slow-moving inventories (included in cost of sales)	**1,937**	(2,886)
Operating lease rentals in respect of rented premises	**11,902**	10,520
Auditors' remuneration	**950**	950
Gain on disposal of property, plant and equipment	**(35)**	(20)
Net foreign exchange (gains)/losses	**(2,512)**	5,965

5. **Finance Costs**

	2010 *HK$'000*	2009 *HK$'000*
Interest expense on short-term bank loans, wholly repayable within five years	**1,018**	2,110

6. **Income Tax Expense**

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the 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.

	2010 *HK$'000*	2009 *HK$'000*
Current income tax		
– Hong Kong profits tax	**935**	1,462
– Overseas taxation	**2,117**	1,497
– Under/(over) provision in prior years	**313**	(206)
Deferred income tax	**(34)**	(284)
Income tax expense	**3,331**	2,469

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

	2010	2009
	HK$'000	*HK$'000*
Profit before income tax	**6,827**	2,078
Tax calculated at Hong Kong profits tax rate of 16.5% (2009: 16.5%)	**1,126**	343
Effect of different tax rates of subsidiaries operating in other countries	**961**	388
Tax losses of subsidiaries not recognized	**595**	1,378
Utilization of previously unrecognized tax losses	**(34)**	(84)
Under/(over) provision in prior years	**313**	(206)
Others	**370**	650
Income tax expense	**3,331**	2,469

As the Company is exempted company incorporated in Bermuda, it is exempted from taxation in Bermuda until 2016.

Mobicon Electronic Trading (Shenzhen) Limited ("MET"), being a foreign investment enterprise established in the free trade zone of Futian, Shenzhen, the People's Republic of China (the "PRC"), and with a financial year end date falling on 31st December, is subject to PRC enterprise income tax at the rate of 18%. No provision for PRC enterprise income tax has been made as MET is still in a tax loss position. MET is entitled to exemption from PRC enterprise income tax for the first two profitable years commencing from the year ended 31st December 2008 and a 50% reduction from normal PRC enterprise income tax for the three years following.

7. Earnings/(Loss) Per Share

The calculation of basic earnings/(loss) per share for the year ended 31st March 2010 is based on the Group's profit attributable to equity holders of the Company of approximately HK$1,843,000 (2009: loss of HK$1,946,000) and on the weighted average number of 200,000,000 (2009: 200,000,000) ordinary shares in issue during the year.

There is no diluted earnings/(loss) per share since the Company has no dilutive potential ordinary shares in issue during the years ended 31st March 2010 and 2009.

8. Dividends

	2010	2009
	HK$'000	*HK$'000*
Interim dividend paid of HK0.5 cents (2009: HK2 cents) per ordinary share	**1,000**	4,000
Proposed final dividend of HK1 cent (2009: HK1 cent) per ordinary share	**2,000**	2,000
	3,000	6,000

At a meeting held on 17th July 2009, the directors of the Company proposed a final dividend of HK1 cent per ordinary share in respect of the year ended 31st March 2009.

At a meeting held on 9th July 2010, the directors of the Company proposed a final dividend of HK1 cent per ordinary share in respect of the year ended 31st March 2010. This proposed 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 2011.

9. Trade Receivables

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
0 to 60 days	**79,105**	61,442
61 to 120 days	**4,787**	3,208
121 to 180 days	**1,095**	1,368
181 to 365 days	**8,253**	2,799
Trade receivables	**93,240**	68,817
Less: provision for impairment of trade receivables	**(4,524)**	(1,262)
	88,716	67,555

The maximum exposure to credit risk at the reporting date is the fair values of trade receivables. The Group does not hold any collateral as security in respect of its trade receivables.

As at 31st March 2010, trade receivables of approximately HK$40,874,000 (2009: HK$32,558,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
0 to 60 days	**30,449**	25,741
61 to 120 days	**1,921**	3,153
121 to 180 days	**790**	1,172
181 to 365 days	**7,714**	2,492
	40,874	32,558

As at 31st March, 2010, trade receivable of approximately HK$4,207,000 (2009: Nil) has been assigned to a bank with recourse as collateral under factoring arrangement.

As at 31st March 2010, trade receivables of approximately HK$4,524,000 (2009: HK$1,262,000) were impaired. The amount of the provision was approximately HK$4,524,000 as at 31st March 2010 (2009: HK$1,262,000). The individually impaired receivables mainly relate to a few customers which are in unexpected difficult economic situations.

Movements on the provision for impairment of trade receivables are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
At beginning of the year	**1,262**	2,493
Receivables written off as uncollectible	**(881)**	(3,224)
Provision for impairment of trade receivables	**4,125**	1,948
Exchange differences	**18**	45
At end of the year	**4,524**	1,262

10. Trade Payables

The aging analysis of trade payables is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
0 to 60 days	**48,496**	38,856
61 to 120 days	**1,321**	1,275
121 to 180 days	**(75)**	217
181 to 365 days	**89**	953
	49,831	41,301

FINANCIAL RESULT

The worldwide economy was recovered at the end of the year ended 31st March 2010. However, it could not ease the impact of the crisis to the Company and its subsidiaries (the "Group"). For the financial year ended 31st March 2010, the Group recorded a turnover of around HK$717 million, which slightly decreased about 6.5% when comparing with around HK$767 million in the previous year. Gross profit dropped by approximately 6.6% from HK$122 million last year to around HK$114 million, while the gross profit margin slightly dropped by approximately 0.2% from about 16% last year to around 15.8%. The Group's operating profit amounted to approximately HK$8 million (31st March 2009: HK$4 million), and the profit attributable to shareholders was approximately HK$1.8 million (loss attributable to shareholders as at 31st March 2009: HK$1.9 million). This represented earnings per share of HK$0.01 (loss per share of HK$0.01 as at 31st March 2009). Subject to the approval of the shareholders at the forthcoming annual general meeting, the Board has resolved to declare a final dividend of HK1 cent per ordinary share for the year under review, totalling HK$2 million to the shareholders whose names appeared on the register of members on 18th August 2010. The final dividend, if approved, is expected to be paid on 25th August 2010.

During the year under review, the Group continued to develop its two core business lines, namely (1) the distribution of electronic components, automation parts and equipment under the MOBICON service branding (the "Electronic Trading Business") and (2) computer related business (the "Computer Business") which includes (i) the retail sales of computer and mobile accessories under the VideoCom retail branding (the "Computer Retail Business"), (ii) the distribution on computer products under (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 Group's turnover of Electronic Trading Business during the year under review slightly dropped by approximately 2.3% to about HK$559 million from about HK$572 million in the previous year, while turnover of Computer Business recorded a decrease of approximately 18.9% to about HK$158 million from about HK$195 million in the previous year.

For the year ended 31st March 2010, the Group's total operating expenses decreased significantly by approximately 10.7% to around HK$108 million (31st March 2009: HK$121 million), among which the general and administrative expenses decreased by 12.3% from HK$73 million last year to HK$64 million. The decrease was mainly attributed to the stringent cost savings measures, especially the strict control of headcount which accounted for a large proportion of the Group's operation cost. Comparing with the previous year, the number of staff members has decreased about 6.3% to 444 full-time employees from 474 full-time employees in the previous year. Among the Group's subsidiaries, the implementation of the headcount control in Malaysia subsidiary was the most significant. The headcount was reduced by 16.3% from 43 full-time employees to 36 full-time employees during the year.

During the year, the Group recorded a net exchange gain of approximately HK$2.5 million (31st March 2009: net exchange loss approximately HK$6 million), in which HK$1.5 million was derived from the appreciation of Australian dollars ("AUD") deposit. We wish to emphasis that the intention of holding the fixed time deposit in AUD is to earn higher yield on surplus funds of the Group and the Group does not ever have any exposure to any equity or currency accumulators. At 31st March 2010, the amount of fixed time deposit in AUD held by the Group was approximately AUD858,000 (31st March 2009: AUD830,000) and the Group considered that further exchange loss exposure on AUD was immaterial. Finance costs for the year sharply decreased by about 52.4% to approximately HK$1 million (31st March 2009: about HK$2.1 million).

BUSINESS REVIEW

During the year under review, 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 and mobile accessories under the VideoCom retail branding (the "Computer Retail Business"), (ii) the distribution on computer products under the (the "Computer Distribution Business") and (iii) the provision of IT outsourcing and solution services to small and medium enterprises in Hong Kong (the "IT Outsourcing Services"). The Electronic Trading Business and the Computer Business accounted for about 78% and 22% of the Group's total turnover for the fiscal year ended 31st March 2010 respectively.

According to the analysis on the two core business operations, the gross profit margin of the Electronic Trading Business decreased slightly to around 17% (31st March 2009: about 18.4%) while that of the Computer Business increased significantly to 11.7% (31st March 2009: about 8.8%). During the year under review, the Group has introduced products with high profit margin including G-Cube Mouses, TECHGEAR Movie Boxes and Notebook Tables, which contributed to the significant growth of gross profit margin of the Computer Business.

Electronic Trading Business

Hong Kong

For the fiscal year ended 31st March 2010, the Group recorded a turnover of Electronic Trading Business of approximately HK$559 million, which represented a slight decrease of about 2.3%, when compared to approximately HK$572 million for the last year.

US and European markets, the major markets of most of our customers, were greatly affected by the economic tsunami. Normally, every first half year is the peak season. However, the US market started to recover at the end of the year under review and our customers, especially customers in toys and audio industries, could not seize the peak season. Eventually, the Group's turnover of Electronic Trading Business was decreased.

In the meantime, the Group has controlled the customer credit term so as to reduce the credit risk. The Group believed that financial management was essential during economic recession. The management agrees that keeping a stable financial position has been the Group's notion.

Meanwhile, the Group has entered into agentship contracts with a number of brand-name vendors during the year under review including Pointec Technology Co. Limited (provider of VLSI memory chips), Samxon Electronic Components Limited (provider of aluminum electrolytic capacitors under Samxon brand and aluminum conductive polymer capacitors under X-Con brand), Siward Crystal Technology Co., Limited (provider of crystals and oscillators), AnMo Electronics Corporation (provider of digital microscope IC and related image products) and G-Cube (provider of computer and mobile accessories).

Overseas

During the year under review, the business of the Group's overseas subsidiaries recorded a turnover of approximately HK$158 million, representing an increase of about 12.1% when compared to approximately HK$141 million for the last year. The constant growth was mainly contributed by the South Africa subsidiary. The South Africa Government continuously invested in local infrastructure resulting in the steady growth in the demand of difference materials including electronic components and equipments, which benefited the South Africa subsidiary. In the reviewing year, South Africa subsidiary was the only one oversea subsidiary which increased its manpower. The number of full-time employees has increased about 7.6% to 99.

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: 66%, 23%, 7%, 2% and 2% respectively of the Group's total turnover during the year under review.

Computer Retail Business

The Computer Retail Business, mainly the operation of VideoCom, recorded a turnover of HK$20 million for the year ended 31st March 2010 (for the year ended 31st March 2009: about HK$26 million), which represented a profit of around HK$1.3 million (for the year ended 31st March 2009: loss of about HK$1.2 million). During the year under review, the Group kept controlling the operation cost of retail business by relocating the retail outlets out of traditional computer centers where competition were keen. 3 new retail outlets were set up in Kingswood Ginza in Tin Shui Wai, Metro City Plaza in Tseung Kwan O and Shatin Center Shopping Arcade respectively.

Computer Distribution Business

The turnover of APower Holdings Limited, one of the subsidiaries of the Group carrying on the Computer Distribution Business, declined significantly by about 22% from about HK$149 million to about HK$117 million for the year ended 31st March 2010. During the year under review, the demand of computer related products was low, and the consumption power of customers was still weak due to the global financial crisis. At the same time, the price of flash memory card decreased by about 55% when comparing with the corresponding year because of the improvement in production efficiency, the gross profit of APower Holdings Limited on flash memory card consequently dropped to about 4% from about 7% in the previous year. As flash memory card has accounted for 70% of the total business for this subsidiary, the turnover of the Computer Distribution Business was unavoidably deceased.

IT Outsourcing Services

The IT Outsourcing Services have recorded a turnover of about HK$14 million, representing a decrease of about 13% from about HK$16 million during the year under review. As many of the Group's customers have postponed company expansion due to the worldwide financial crisis, they were conservative in the investment of IT equipment. Moreover, after the launch of Window 7, it was not as common as it is expected, this unavoidably affected the performance of the IT Outsourcing Services.

DEVELOPMENT STRATEGY AND OUTLOOK

The worldwide economy started to recover at the end of the year under review. It is expected that the demand of electronic components will increase as many customers will resume their product development which was postponed previously. However, most of the Group's vendors, in view of the crisis, have reduced their operations and labour headcount, and at the same time they do not keep extra stock. As a result, it is expected that they could not meet any sudden increase in demand and it may cause shortage in the supply chain of electronic components. As the Group expected that long term orders from customers will be received when the economy recovered from recession, the Group is prepared to negotiate with the vendors to keep buffer stock for the coming year to cope with any deficiency.

Apart from the small-to-medium customers, the Group will further extend the services to electronic manufacturing service (EMS) customers which were referred by the vendors. It is believed that EMS customers will bring positive effect to the Group's results.

As the market has not fully recovered from the financial crisis, especially European market, the demand of large-volume order for individual product is still low. The Group business model, "Small Order Service" can fulfill what customers need in this moment. Hence, the Group will continuously expand the customer networks and strengthen its competitiveness by "Small Order Service".

The Group foresees the potential in South Africa market, so more resources will be allocated to South Africa subsidiary. In order to path the way to making such subsidiary as the leading components and power product supplier in South Africa, more efforts will be spent in increasing the brand awareness, locating customers in new industry segments and employing more professional salesmen for such subsidiary.

In the Computer Business, the Group is eager to expand the agent lines and looking for more product categories through the dealers channel and the Group's retail shops. Besides the trendy products such as iPhone and iPod accessories, the Group will also introduce products with high profit margin such as High-Definition Movie Boxes, Large Size Digital Photo Frames, Notebook Reading Tables, Flat Speakers and Smart Phone Accessories under the branding of TECHGEAR and . This absolutely will benefit the Group's performance.

Currently, the Group has a total of 9 retail outlets. Half of them are located out of traditional computer centers. And the outlets will position as selling computer and mobile accessories, especially for iPod and iPhone. In the meantime, the Group will search for more potential locations to expand the retail coverage, and the trendy shopping mall is one of the choices of the Group as most of our target customers will linger all the time.

Although the market recovers noticeably, the Group will keep maintaining the operation cost at competitive level and a healthy financial position, in order to cope with the challenging market.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has a strong financial foundation. As at 31st March 2010, it had cash and bank balances of approximately HK$52 million (as at 31st March 2009: HK$35 million). About 44% and 20% were denominated in Hong Kong dollars and US dollars respectively. The balance of approximately 12%, 10%, 9%, 3%, 1% and 1% of its total cash and bank balances were correspondingly denominated in Australian dollars, South African Rand, Chinese Renminbi, Malaysia Ringgit, New Taiwan dollars and Singapore dollars. The Group's total assets amounted to approximately HK$318 million (as at 31st March 2009: HK$272 million). Net assets per share amounted to approximately HK$0.91 (as at 31st March 2009: HK$0.88). Dividend earnings and basic earnings per share were approximately HK$0.015 and HK$0.01 respectively (as at 31st March 2009: HK$0.03 and basic loss per share HK$0.01 respectively).

As at 31st March 2010, the Group had banking facilities for overdrafts, loans and trade finance from several banks totalling approximately HK$172 million (as at 31st March 2009: HK$230 million), with an unused balance of approximately HK$106 million (as at 31st March 2009: HK$189 million).

The Directors believe the Group's existing financial resources are sufficient to fulfill its commitments and working capital requirements.

CAPITAL STRUCTURE

As at 31st March 2010, the total borrowings of the Group were approximately HK$66 million (as at 31st March 2009: HK$41 million). These 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 Group's bank borrowings as at 31st March 2010 were denominated in Hong Kong dollars. The short-term loans and trade finance were secured by the Company's corporate guarantees of around HK$176 million (as at 31st March 2009: HK$232 million), with a maturity term of two to three 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 1.36% to 2.67% per annum (for the year ended 31st March 2009: 1% to 5.45% per annum).

GEARING RATIO

As at 31st March 2010, the Group's gross borrowing, which was repayable within one year, amounted to approximately HK$66 million (as at 31st March 2009: HK$41 million). After deducting cash and cash equivalents of approximately HK$52 million, the Group's net borrowings amounted to approximately HK$14 million (as at 31st March 2009: HK$6 million). Total equity as at 31st March 2010 was approximately HK$182 million (as at 31st March 2009: HK$176 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, increased to 8% (as at 31st March 2009: 3%).

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 under control, 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 undertaken by the Group. As at 31st March 2010, the Group had no significant risk exposure pertaining 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 31st March 2010.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 31st March 2010, the Group had total outstanding operating lease commitments of approximately HK$13 million (as at 31st March 2009: HK$15 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 2010.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 31st March 2010, the Group had total of 444 full-time employees. The Group has also developed its human resources policies and procedures based on performance, merits and market conditions. Discretionary bonus is linked to the performance of the Group as well as individual performances. The benefits provided by the Group to its employees include staff accommodation, medical schemes, share option scheme, Mandatory Provident Fund Scheme for employees in Hong Kong, Employee 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.

The Group encourages the staff members to take value-add courses in spare time. In order to provide the staff member the most updated marketing trend and industrial information, the Group invited different vendors to provide product trainings and seminars so as to enhance their product knowledge and broaden their horizon.

Staff members are important assets to an enterprise. To recognize their contributions and to boost their morale, the Group not only awards certificates to staff members in each department who perform outstandingly for each quarter, but also presents rewards of the best attendance, the most number of client visit according to staff's attendance record, number of customer visit respectively. A number of activities and functions including monthly birthday parties and festival celebrations are regularly held. The Group also presents some gifts during the special festivals such as Mother's Day and Father's Day to staffs. All these activities are designed to strengthen the bonds between staff members and enhance their sense of belonging to the Group.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 13th August 2010 to 18th August 2010, during which no transfer of shares will be effected, and the final dividend will be paid on 25th August 2010. 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 registrars in Hong Kong, Hong Kong Registrars Limited at its office situated at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 12th August 2010.

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 of Directors 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 Code of Corporate Governance Practices ("CGP") 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:

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The Company did not have a separate Chairman and Chief Executive Officer as Ms. Yeung Man Yi, Beryl hold the position of the Chief Executive Officer and assumes the duties of the Chairman during the year under review. The Board believed that vesting the roles of Chairman and Chief Executive Officer in the same individual provided the Group with strong and consistent leadership in the development and execution of long-term business strategies.

According to Bye-law 115, any director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next annual general meeting of the Company and shall retire and be subject to re-election. These deviate from the Code Provision A.4.2 of CGP which requires all directors appointed to fill casual vacancy be subject to election by shareholders at the first general meeting after their appointment. Having reviewed Bye-law 115, the Board considers that the requirement under Bye-law 115 is similar to the that required under the said Code Provision. A special resolution will be proposed at the forthcoming annual general meeting of the Company to amend Bye-law 115 so as to comply with the relevant requirement under Code Provision A.4.2. Code Provision A.4.2 also provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Though the Chairman will not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire, as continuation 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.

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

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 annual results for the year ended 31st March 2010 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

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 and published on the websites of the Stock Exchange and the Company in mid of July 2010.

APPRECIATION

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

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

Hong Kong, 9th July 2010

As at the date of this announcement, the Board comprises 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. Chow Shek Fai as independent non-executive directors.