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 2013

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 2013 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2013

	Note	**2013** *HK$'000*	2012 *HK$'000*
Revenue	*2*	**545,887**	588,628
Cost of sales		**(444,606)**	(481,486)
Gross profit		**101,281**	107,142
Other income	*3*	**1,292**	2,173
Distribution and selling expenses		**(36,438)**	(38,472)
General and administrative expenses		**(57,226)**	(63,242)
Operating profit	*4*	**8,909**	7,601
Finance costs	*5*	**(1,019)**	(991)
Share of losses of associates		**(87)**	(53)
Profit before income tax		**7,803**	6,557
Income tax expense	*6*	**(2,667)**	(2,593)
Profit for the year		**5,136**	3,964
Profit attributable to:			
Equity holders of the Company		**1,134**	743
Non-controlling interests		**4,002**	3,221
		5,136	3,964
Earnings per share for profit attributable to the equity holders of the Company during the year – Basic and diluted	*7*	**HK0.57 cent**	HK0.37 cent

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

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2013

	2013	2012
	HK$'000	*HK$'000*
Profit for the year	**5,136**	3,964
Other comprehensive income/(expense)		
Currency translation differences:		
– Subsidiaries	**(5,153)**	(4,372)
– Associate	**16**	(12)
Revaluation gain on property, plant and equipment	**8,058**	–
Other comprehensive income/(expense), net of tax	**2,921**	(4,384)
Total comprehensive income/(expense)	**8,057**	(420)
Total comprehensive income/(expense) attributable to:		
Equity holders of the Company	**6,608**	(1,839)
Non-controlling interests	**1,449**	1,419
	8,057	(420)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st March 2013

	Note	**2013** **HK$'000**	2012 HK$'000
Non-current assets			
Property, plant and equipment		**21,261**	12,829
Investments in associates		**68**	1,079
		21,329	13,908
Current assets			
Inventories		**165,825**	173,230
Trade receivables	*9*	**62,645**	67,074
Other receivables		**8,046**	7,361
Current income tax recoverable		**1,294**	1,771
Cash and bank balances		**35,854**	39,249
		273,664	288,685
Total assets		**294,993**	302,593
Current liabilities			
Trade payables	*10*	**36,966**	41,383
Other payables		**28,588**	36,283
Amounts due to associates		**15**	–
Short-term bank loans		**46,429**	45,326
Current income tax liabilities		**690**	606
		112,688	123,598
Net current assets		**160,976**	165,087
Total assets less current liabilities		**182,305**	178,995
Non-current liabilities			
Deferred income tax liabilities		**40**	48
Net assets		**182,265**	178,947
Capital and reserves attributable to the equity holders of the Company			
Share capital		**20,000**	20,000
Reserves		**146,263**	142,655
		166,263	162,655
Non-controlling interests		**16,002**	16,292
Total equity		**182,265**	178,947

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 of Hong Kong Limited (the "Listing Rules").

The consolidated financial statements have been prepared under the historical cost convention except for certain properties, plant and equipment that are measured at fair values.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group:

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st April 2012 but do not have a material impact on the Group:

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures - Transfers of Financial Assets
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets

(b) Change in accounting policy for property, plant and equipment

Under HKFRSs, the Group has the option to use the revaluation model or cost model to account for its property, plant and equipment. Previously, the Group adopted the cost model in accordance with HKAS 16. In the current year, the Group changed its accounting policy in respect of property, plant and equipment from the cost model to the revaluation model to increase the relevance of financial data to the users of the financial statements. The change in the accounting policy has been dealt with as a revaluation in accordance with HKAS 16.

(c) The following new and amended standards have been issued but are not effective for the financial year beginning 1st April 2012 and have not been early adopted:

HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 1 (Amendment)	Government Loans[2]
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosures of Interests in Other Entities[2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities[3]
HKFRS 13	Fair Value Measurement[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]
Annual Improvements Project	Annual Improvements 2009-2011 Cycle[2]

1 Changes effective for annual periods beginning on or after 1st July 2012
2 Changes effective for annual periods beginning on or after 1st January 2013
3 Changes effective for annual periods beginning on or after 1st January 2014
4 Changes effective for annual periods beginning on or after 1st January 2015

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognized financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC)-Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1st January 2013, with earlier application permitted provided all of these standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 *Fair Value Measurement*

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosures requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January 2013 and that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The adoption of the above standards, amendments and interpretations to existing standards in future periods is not expected to result in substantial changes to the Group's accounting policies.

In addition, HKICPA also published a number of amendments to the existing standards under its annual improvement projects. These amendments are not expected to have a significant financial impact on the results and financial position of the Group.

2. REVENUE AND SEGMENT INFORMATION

Revenue recognized during the year is as follows:

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Sales of electronic components, automation parts and equipment	**420,051**	454,685
Sales of computer products and mobile accessories and service income	**125,836**	133,943
	545,887	588,628

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

The Executive Directors have assessed the performance of the operating segments based on segment results before corporate expenses, finance costs and share of (losses)/profits of associates.

The segment results for the year ended 31st March 2013 are as follows:

	Electronic Trading Business	**Computer Business**	**Unallocated**	**Group**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Revenue	420,051	125,836	–	545,887
Segment results	9,086	347	(524)	8,909
Interest expenses	–	–	(1,019)	(1,019)
Share of (losses)/profits of associates	(144)	57	–	(87)
Profit before income tax				7,803
Income tax expense				(2,667)
Profit for the year				5,136

The segment results for the year ended 31st March 2012 are as follows:

	Electronic Trading Business	Computer Business	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	454,685	133,943	–	588,628
Segment results	7,410	(158)	349	7,601
Interest expenses	–	–	(991)	(991)
Share of (losses)/profits of associates	(90)	37	–	(53)
Profit before income tax				6,557
Income tax expense				(2,593)
Profit for the year				3,964

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

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Hong Kong (country of domicile)	**319,586**	326,256
Asia Pacific	**142,834**	179,054
South Africa	**72,366**	70,818
Europe	**2,069**	3,222
Other countries	**9,032**	9,278
	545,887	588,628

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

3. **OTHER INCOME**

	2013	2012
	HK$'000	*HK$'000*
Management fee from an associate	**12**	96
Management fee from third parties	**953**	1,373
Service fee from an associate	**12**	12
Commission income	**123**	102
Interest income from bank deposits	**53**	165
Interest income from an associate	**9**	67
Other income	**130**	358
	1,292	2,173

4. **EXPENSES BY NATURE**

	2013	2012
	HK$'000	*HK$'000*
Costs of inventories expensed	**444,606**	481,486
Employee benefit expense	**58,073**	61,045
Depreciation of owned property, plant and equipment	**1,449**	1,818
Provision for impairment of trade receivables (included in general and administrative expenses)	**338**	134
Reversal of provision for slow-moving inventories (included in cost of sales)	**(154)**	(3,125)
Operating lease rentals in respect of rented premises	**10,647**	11,789
Auditors' remuneration	**1,050**	1,050
Loss/(gain) on disposal of property, plant and equipment	**61**	(62)
Net foreign exchange (gains)/losses	**(1,028)**	42

5. **FINANCE COSTS**

	2013	2012
	HK$'000	*HK$'000*
Interest expense on short-term bank loans, wholly repayable within one year	**1,019**	991

6. **INCOME TAX EXPENSE**

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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.

	2013	2012
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**294**	110
– Overseas taxation	**2,984**	2,792
– Over provision in prior years	**(603)**	(114)
Deferred income tax	**(8)**	(195)
Income tax expense	**2,667**	2,593

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:

	2013	2012
	HK$'000	*HK$'000*
Profit before income tax	**7,803**	6,557
Tax calculated at Hong Kong profits tax rate of 16.5% (2012: 16.5%)	**1,287**	1,082
Effect of different tax rates of subsidiaries operating in other countries	**1,170**	998
Tax losses of subsidiaries not recognized	**732**	216
Utilization of previously unrecognized tax losses	**(147)**	(138)
Over provision in prior years	**(603)**	(114)
Others	**228**	549
Income tax expense	**2,667**	2,593

As the Company is an 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 25%. 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 following three years.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31st March 2013 is based on the Group's profit attributable to equity holders of the Company of approximately HK$1,134,000 (2012: HK$743,000) and on the weighted average number of 200,000,000 (2012: 200,000,000) ordinary shares in issue during the year.

There is no diluted earnings per share since the Company has no dilutive potential ordinary shares in issue during the years ended 31st March 2013 and 2012.

8. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Interim dividend paid of HK0.5 cent (2012: HK1 cent) per ordinary share	**1,000**	2,000
Proposed final dividend of HK0.5 cent (2012: HK1 cent) per ordinary share	**1,000**	2,000
	2,000	4,000

At a meeting held on 22nd June 2012, the directors of the Company proposed a final dividend of HK1 cent per ordinary share in respect of the year ended 31st March 2012.

At a meeting held on 24th June 2013, the directors of the Company proposed a final dividend of HK0.5 cent per ordinary share in respect of the year ended 31st March 2013. 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 ended 31st March 2013.

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:

	2013	2012
	HK$'000	*HK$'000*
0 to 60 days	**57,567**	61,284
61 to 120 days	**2,248**	4,108
121 to 180 days	**2,655**	1,109
181 to 365 days	**1,283**	1,593
Trade receivables	**63,753**	68,094
Less: provision for impairment of trade receivables	**(1,108)**	(1,020)
	62,645	67,074

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 2013, trade receivables of approximately HK$29,092,000 (2012: HK$33,184,000) 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:

	2013	2012
	HK$'000	*HK$'000*
0 to 60 days	**24,101**	29,232
61 to 120 days	**1,352**	2,536
121 to 180 days	**2,641**	910
181 to 365 days	**998**	506
	29,092	33,184

As at 31st March 2013, trade receivables of approximately HK$363,000 (2012: HK$567,000) has been assigned to a bank with recourse as collateral under factoring arrangement.

As at 31st March 2013, trade receivables of approximately HK$1,108,000 (2012: HK$1,020,000) were impaired. The amount of the provision was approximately HK$1,108,000 as at 31st March 2013 (2012: HK$1,020,000). 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:

	2013	2012
	HK$'000	*HK$'000*
At beginning of the year	**1,020**	1,543
Receivables written off as uncollectible	**(214)**	(624)
Provision for impairment of trade receivables	**338**	134
Exchange differences	**(36)**	(33)
At end of the year	**1,108**	1,020

10. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	2013	2012
	HK$'000	*HK$'000*
0 to 60 days	**34,806**	39,857
61 to 120 days	**1,373**	633
121 to 180 days	**516**	86
181 to 365 days	**271**	807
	36,966	41,383

FINANCIAL RESULT

The continuing impairment of the European economic turmoil affected the performance of the Company and its subsidiaries (the "Group"). For the financial year ended 31st March 2013, the Group recorded a turnover of around HK$546 million, representing a decrease of about 7.3% from approximately HK$589 million recorded in the last year. Gross profit dropped by about 5.6% from approximately HK$107 million in the last year to around HK$101 million, while the gross profit margin slightly increased by approximately 0.4% to around 18.6% from about 18.2% in the last year. The Group's operating profit amounted to approximately HK$9 million (31st March 2012: approximately HK$8 million), and the profit attributable to shareholders was approximately HK$1.1 million (31st March 2012: approximately HK$0.7 million). This represented earnings per share of around HK$0.006 (about HK$0.004 as at 31st March 2012). 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 2013, totalling HK$1 million to the shareholders whose names appeared on the register of members of the Company on 15th August 2013. The final dividend, if approved, is expected to be paid on 26th August 2013.

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 service brand of MOBICON (the "Electronic Trading Business") and (2) computer related business (the "Computer Business") which includes (i) the retail sales of computer products and smartphone accessories under the retail brand of VideoCom (the "Computer Retail Business"), (ii) the distribution of computer products and consumer products under the brand of (the "Computer Distribution Business") and (iii) the provision of IT outsourcing to small and medium enterprises in Hong Kong (the "IT Outsourcing Services"). During the year under review, the Group's turnover from the Electronic Trading Business decreased approximately 7.7% to about HK$420 million from approximately HK$455 million in the last year, while the turnover from the Computer Business was recorded as about HK$126 million, which represented a decrease of approximately 6% from about HK$134 million in the last year.

For the year ended 31st March 2013, the Group's total operating expenses were approximately HK$94 million, representing a decrease of about 7.8% (31st March 2012: about HK$102 million), among which the distribution and selling expenses were approximately HK$36 million which has decreased by 5.3% from HK$38 million in the last year. The decrease was mainly attributable to the reduction of sales related costs as a result of decline in sales. During the year under review, the Group has continuously controlled the cost of discretionary bonus which is linked with the Group result as well as staff personal performance, leading to a decrease of the general and administrative expenses by about 9.5% to around HK$57 million (31st March 2012: about HK$63 million). Meanwhile, finance cost for the year maintained at approximately HK$1 million (31st March 2012: about HK$1 million).

BUSINESS REVIEW

During the year under review, the Group continued to focus on its two core business operations, namely: (1) the distribution of electronic components, automation parts and equipment under the service brand of MOBICON (the "Electronic Trading Business"); and (2) computer related business (the "Computer Business") which includes (i) the retail sales of computer products and smartphone accessories under the retail brand of VideoCom (the "Computer Retail Business"), (ii) the distribution of computer products and consumer products under the brand of (the "Computer Distribution Business") and (iii) the provision of IT outsourcing to small and medium enterprises in Hong Kong (the "IT Outsourcing Services"). The Electronic Trading Business and the Computer Business accounted for about 77% and 23% respectively of the Group's total turnover for the fiscal year ended 31st March 2013.

By analysis on the two core business operations, the gross profit margin of the Electronic Trading Business and the Computer Business increased slightly to around 19.6% and 15% respectively (31st March 2012: about 19.4% and about 14.2% respectively).

Electronic Trading Business

Hong Kong

For the year ended 31st March 2013, turnover of the Group's Electronic Trading Business decreased about 7.7% to approximately HK$420 million from approximately HK$455 million in the last year.

Europe was the main export market of Hong Kong. Because of the continuous high unemployment rate and debt crisis of banks and enterprises in the European market, the consumption demand, especially for traditional electronic products, was weak. As a result, many manufacturers have delayed the launch of new models which in turn reduced the demand for electronic components. This caused serious impact to the electronic component industry in Hong Kong, China and South East Asia. Being one of the leading electronic component distributors, the Group was unavoidably affected. Nevertheless, the American economy has gradually become stable, which shall alleviate the impact caused by the European market.

In the meantime, the Group has also entered into an agency agreement with Rigol Technologies Inc. (provider of electronic measurement), Lascar Electronics (HK) Limited (provider of LCD panel meters and data loggers), LITE-ON Electronics H.K. Limited (provider of optoelectronics components), Manson Engineering Industrial Ltd (provider of DC Power Products and Solution) and Cotek Electronic Ind. Co., Ltd. (provider of inverters, power supplies, battery charges) during the year under review.

Overseas

During the year under review, the business of the Group's overseas subsidiaries recorded a turnover of approximately HK$118 million, (for the year ended 31st March 2012: about HK$138 million), representing a decrease of about 14.5%. The Group's South Africa subsidiary recorded a turnover of approximately HK$72 million, representing an increase of about 2.86% from approximately HK$70 million in the last year. However, the increasing turnover rate of South Africa subsidiary was shrunk due to the fluctuation of South African Rand exchange rate. During the year under review, South African Rand has depreciated by about 16.8%.

Although there was a stable increase of turnover from the South Africa subsidiary, it could not cover the drop in the turnover from the Group's other overseas subsidiaries. Among the Group's overseas subsidiaries, the turnover of the Singapore subsidiary decreased significantly from approximately HK$39 million in the last year by about 43.6% to approximately HK$22 million. It was because most of the electronic manufacturing service customers were affected by the European financial crisis.

In terms of geographical segments, the contributions of Hong Kong, Asia-Pacific region (other than Hong Kong), South Africa, Europe and other regions accounted for 58%, 26%, 13%, 1% and 2% respectively of the Group's total turnover during the year under review.

Computer Business

Computer Retail Business

For the year ended 31st March 2013, the Computer Retail Business, operating under the brand of VideoCom, recorded a turnover of approximately HK$27 million, representing an increase of about 17.4% comparing with that of approximately HK$23 million in the last year. The Group has continuously provided computer and smartphone accessories with high quality at a reasonable price, which was widely accepted by the customers. The trendy design of retail shops under the brand of VideoCom allowed the Group to set up retail shops in large shopping mall. During the year under review, the Group has set up retail shops in Metro City, Tseung Kwan O and City One Plaza, Shatin respectively.

Computer Distribution Business

For the year ended 31st March 2013, the turnover of APower Holdings Limited, a subsidiary of the Group carrying on the Computer Distribution Business, was about HK$89 million, representing a drop of about 7.3% from about HK$96 million in the previous year. The principal business of APower Holdings Limited was flash memory card. During the year under review, there was severe competition in the flash memory card market causing the price dropped and thus worsening the performance of APower Holdings Limited. On the other hand, the gross profit margin of APower Holdings Limited was improved, which was recorded as about 11.8% for the year ended 31st March 2013 (for the year ended 31st March 2012: about 10%). During the year under review, APower Holdings Limited has introduced profitable products including power banks for Smartphones, Osram LED products and MEC multipurpose Glass Stands.

At the same time, operation of Maxfair Distribution Limited, a Group's subsidiary concentrated on brand development, has been merged with APower Holdings Limited. It not only simplified the operation process, but also enhanced the interaction between colleagues on product knowledge and new products development.

During the year ended 31st March 2013, the Group has signed an agency agreement with Samya Technology Co., Ltd (a provider of power banks for Smartphones).

IT Outsourcing Services

During the year under review, the IT Outsourcing Services have recorded a turnover of about HK$9 million, representing a significant decrease of about 35.7% comparing with that of about HK$14 million in the last year. The major customers of the Group's IT Outsourcing Services are SMEs which were unwilling to invest in IT infrastructure due to worldwide economic sluggish.

DEVELOPMENT STRATEGY AND OUTLOOK

The Group will continue to strengthen and integrate local and China markets. More resources will be allocated to strengthen the market segments including LED lightings, Bluetooth products and small electrical appliances. "Small Order Services", diversified product range and comprehensive sales network have increased the Group's competitiveness in acquiring new customers of the above market segments, especially the small to medium enterprises.

In order to develop the China market, the Group will actively join the exhibitions in China which can enhance the Group's exposure and build up its awareness.

The Group is optimistic with the electronic components industry. Although the global economy is slowed down, the Group continues to introduce new product lines for new market applications. The Group believes that this is a golden opportunity to acquire more customers and expand the market share of the Group.

The Group believes that the market in South Africa is full of potential and opportunity. Therefore, the Group plans to increase its market share through merging or acquiring local electronic components distributors.

In addition, the Group will continuously introduce equipment and computer peripherals under the Group's flagship brand . Those equipment and computer peripherals will be mainly distributed and sold to local market through the Group's subsidiaries. The Group believes that it can increase the Group's profit.

Regarding to the Computer Business, the Group's retail brand has already opened six retail shops in Hong Kong. The seventh retail shop has been set up in Metro Town, Tseung Kwan O in May 2013. All of the shops will be designed modernly and more products promotion will be done in shops to attract more customers. The Group targets to set up three more retail shops in the next financial year.

Facing the continuous business contraction, IT Outsourcing Service shall no longer be classified as the core business of the Group in the foreseeable future. The Group will review the business model and restructure the operation.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has a stable financial foundation. As at 31st March 2013, the Group's cash and bank balances were approximately HK$36 million (as at 31st March 2012: approximately HK$39 million) of which about 48% and 29% were denominated in Hong Kong dollars and US dollars respectively. Approximately 11%, 5%, 5%, 1%, and 1% of the balance of its total cash and bank balances were correspondingly denominated in Renminbi, Malaysian Ringgit, South African Rand, New Taiwan dollars and Singaporean dollars. The Group's total assets amounted to approximately HK$295 million (as at 31st March 2012: approximately HK$303 million). Net assets per share amounted to approximately HK$0.91 (as at 31st March 2012: approximately HK$0.89). Dividend and basic earnings per share were approximately HK$0.01 and HK$0.006 respectively (as at 31st March 2012: approximately HK$0.02 and HK$0.004 respectively).

As at 31st March 2013, the Group had banking facilities for overdrafts, loans and trade finance from several banks totalling approximately HK$73 million (as at 31st March 2012: approximately HK$99 million), with an unused balance of approximately HK$27 million (as at 31st March 2012: approximately HK$54 million). The directors believe that the Group's existing financial resources are sufficient to fulfill its commitments and working capital requirements.

CAPITAL STRUCTURE

As at 31st March 2013, the total borrowings of the Group were approximately HK$46 million (as at 31st March 2012: HK$45 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 2013 were denominated in Hong Kong dollars. These short-term loans and trade finance were secured by the Company's corporate guarantees of around HK$69 million and the leasehold properties in Singapore (as at 31st March 2012: HK$95 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 rates ranging from 1.90% to 2.91% per annum (for the year ended 31st March 2012: 1.69% to 2.90% per annum).

GEARING RATIO

As at 31st March 2013, the Group's gross borrowing, which was repayable within one year, amounted to approximately HK$46 million (as at 31st March 2012: approximately HK$45 million). After deducting cash and cash equivalents of approximately HK$36 million, the Group's net borrowings amounted to approximately HK$10 million (as at 31st March 2012: approximately HK$6 million). Total equity as at 31st March 2013 was approximately HK$182 million (as at 31st March 2012: approximately HK$179 million). As a result, the Group's net gearing ratio, based on net borrowings to total equity, increased to 5.5% (as at 31st March 2012: 3.4%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the Group's transactions were denominated in Hong Kong dollars, Renminbi and US dollars. Given that the exchange rate of Hong Kong dollars against the Renminbi has been and is likely to be under control and that the Hong Kong Government's policy of linking the Hong Kong dollars to the US 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 2013, 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 2013, the properties with the carrying value of approximately HK$18 million have been pledged to secure the general banking facilities granted to the Group's Singapore subsidiary.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 31st March 2013, the Group had total outstanding operating lease commitments of approximately HK$11 million (as at 31st March 2012: HK$16 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 2013.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 31st March 2013, the Group had a total of 412 full-time employees inclusive of its staff in Hong Kong and overseas branches. The Group has developed its human resources policies and procedures based on the performance, merits and market conditions. Discretionary bonus will be distributed based on performance of the Group as well as individual performances.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 6th August 2013 to 8th August 2013, 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 5th August 2013. The Register of Members of the Company will be closed from 14th August 2013 to 15th August 2013, during which period no transfer of shares will be effected, and the final dividend will be paid on 26th August 2013 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 2013.

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 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 ("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 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 2013 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 and published on the websites of the Stock Exchange and the Company in early of July 2013.

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 shareholders, institutional investors, customers, bankers and business partners for their continuous support to and confidence in the Group.

By order of the Board
Hung Kim Fung, Measure
Chairman

Hong Kong, 24th June 2013

As at the date of this announcement, the Board 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.