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 2020

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 2020 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st March 2020

	Note	**2020** *HK$'000*	2019 *HK$'000*
Revenue	*2*	**461,245**	479,396
Cost of sales		**(358,614)**	(368,194)
Gross profit		**102,631**	111,202
Other income and net gains	*3*	**3,969**	3,787
Distribution and selling expenses		**(36,104)**	(39,463)
General and administrative expenses		**(65,364)**	(70,587)
Operating profit		**5,132**	4,939
Finance costs	*5*	**(3,567)**	(3,181)
Profit before income tax		**1,565**	1,758
Income tax expense	*6*	**(4,814)**	(4,672)
Loss for the year	*4*	**(3,249)**	(2,914)

* *For identification purposes only*

	Note	**2020**	2019
		HK$'000	*HK$'000*
(Loss)/profit attributable to:			
Equity holders of the Company		**(5,729)**	(7,690)
Non-controlling interests		**2,480**	4,776
		(3,249)	(2,914)
Loss per share attributable to the equity holders of the Company during the year			
– Basic and diluted *(HK cents)*	*7*	**(2.86)**	(3.84)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2020

	2020	2019
	HK$'000	*HK$'000*
Loss for the year	**(3,249)**	(2,914)
Other comprehensive (expense)/income		
Item that may be reclassified subsequently to profit or loss		
Currency translation differences:		
– Subsidiaries	**(17,471)**	(11,492)
Item that will not be reclassified subsequently to profit or loss		
Revaluation gain/(loss) on property, plant and equipment	**95**	(157)
Other comprehensive expense, net of tax	**(17,376)**	(11,649)
Total comprehensive expense	**(20,625)**	(14,563)
Total comprehensive (expense)/income attributable to:		
Equity holders of the Company	**(16,166)**	(14,834)
Non-controlling interests	**(4,459)**	271
	(20,625)	(14,563)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**27,314**	30,160
Right-of-use assets		**11,755**	–
Intangible assets		**63**	–
Investment properties		**4,518**	4,805
Goodwill		**171**	–
Other receivables		**3,360**	4,032
		47,181	38,997
Current assets			
Inventories		**166,032**	165,044
Trade receivables	*9*	**51,227**	46,653
Other receivables and deposits		**12,974**	16,308
Current income tax recoverable		**111**	337
Cash and bank balances		**28,830**	31,733
		259,174	260,075
Total assets		**306,355**	299,072
Current liabilities			
Trade payables	*10*	**31,331**	27,696
Other payables and accruals		**15,140**	12,899
Contract liabilities		**3,338**	2,434
Loan from a shareholder		**32,000**	21,245
Lease liabilities		**7,796**	–
Finance lease liabilities		**–**	14
Short-term bank loans		**67,586**	75,138
Current income tax liabilities		**1,192**	530
		158,383	139,956
Net current assets		**100,791**	120,119
Total assets less current liabilities		**147,972**	159,116

	2020	2019
	HK$'000	*HK$'000*
Non-current liabilities		
Deferred tax liabilities	**2,279**	–
Lease liabilities	**4,209**	–
Finance lease liabilities	**–**	28
	6,488	28
Net assets	**141,484**	159,088
Capital and reserves attributable to the equity holders of the Company		
Share capital	**20,000**	20,000
Reserves	**86,284**	104,450
	106,284	124,450
Non-controlling interests	**35,200**	34,638
Total equity	**141,484**	159,088

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 on 1st April 2019, relevant to the Group's operation and adopted by the Group:

Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

Detailed impacts of the adoption of HKFRS 16 is disclosed in Note 1(b) 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.

(b) HKFRS 16 "Leases" – Impact of adoption

The Group has adopted HKFRS 16 retrospectively from 1st April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening statement of financial position on 1st April 2019.

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1st April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1st April 2019 range from 2.70% to 10.25% per annum.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1st April 2019 as short-term leases;
- reliance on previous assessments on whether leases are onerous;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease".

(ii) Measurement of lease liabilities

	HK$'000
Operating lease commitments disclosed as at 31st March 2019	18,008
Discounted using the lessee's incremental borrowing rate at the date of initial application	(499)
Less: short-term leases recognized on a straight-line basis	(6,467)
Add: finance lease liabilities recognized as at 31st March 2019	42
Add: adjustments relation to reassessment of lease liabilities	3,693
Lease liabilities recognized as at 1st April 2019	14,777
Of which are:	
Current lease liabilities	7,110
Non-current lease liabilities	7,667
	14,777

(iii) *Measurement of right-of-use assets*

The recognized right-of-use assets are related to retail outlets, office, warehouse and office equipment. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position as at 31st March 2019.

(iv) *Adjustments recognized in the consolidated statement of financial position on 1st April 2019*

The change in accounting policy affected the following items in the consolidated statement of financial position on 1st April 2019:

– right-of-use assets – increase by approximately HK$14,766,000;

– property, plant and equipment – decrease by approximately HK$31,000;

– finance lease liabilities – decrease by approximately HK$42,000; and

– lease liabilities – increase by approximately HK$14,777,000.

(v) *Lessor accounting*

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2 REVENUE AND SEGMENT INFORMATION

Revenue recognized during the year is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Sales of electronic components, automation parts and equipment	**287,487**	285,984
Sales of computer products, mobile accessories and service income	**97,073**	94,321
Sales of cosmetic products	**76,685**	99,091
	461,245	479,396

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 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 2020 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	**287,487**	**97,073**	**76,685**	**–**	**461,245**
Time of revenue recognition					
– At a point in time	**287,487**	**94,310**	**76,685**	**–**	**458,482**
– Over time	**–**	**2,763**	**–**	**–**	**2,763**
	287,487	**97,073**	**76,685**	**–**	**461,245**
Segment results	**3,028**	**964**	**1,144**	**(4)**	**5,132**
Finance costs					**(3,567)**
Profit before income tax					**1,565**
Income tax expense (Note 6)					**(4,814)**
Loss for the year					**(3,249)**

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	**1,075**	**222**	**633**	**–**	**1,930**
Depreciation of right-of-use assets	**2,182**	**3,389**	**3,053**	**–**	**8,624**
Provision for impairment of trade receivables	**1,209**	**76**	**47**	**–**	**1,332**
Reversal of provision for impairment of trade receivables	**(849)**	**(155)**	**(93)**	**–**	**(1,097)**
Provision for slow-moving inventories	**4,191**	**9**	**12**	**–**	**4,212**

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

	2020 *HK$'000*	2019 *HK$'000*
Revenue		
Hong Kong (country of domicile)	**255,795**	303,065
Asia Pacific	**95,082**	98,513
South Africa	**99,575**	72,310
Europe	**8,277**	3,400
Other countries	**2,516**	2,108
	461,245	479,396

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

3 OTHER INCOME AND NET GAINS

	2020 *HK$'000*	2019 *HK$'000*
Management fee received from third parties	**1,490**	1,333
Commission income	**806**	1,141
Interest income from bank deposits	**192**	239
Gain on bargain purchase	**866**	5
Gain on disposal of a subsidiary	**–**	391
Gross rental income from investment properties	**232**	114
Fair value loss on investment properties	**–**	(58)
Other income	**383**	622
	3,969	3,787

4 LOSS FOR THE YEAR

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

	2020 *HK$'000*	2019 *HK$'000*
Costs of inventories expensed	**358,614**	368,194
Employee benefit expense	**49,660**	52,569
Amortization of intangible assets	**37**	–
Depreciation of right-of-use assets	**8,624**	–
Depreciation of property, plant and equipment	**1,930**	3,141
Provision for impairment of trade receivables (included in general and administrative expenses)	**1,332**	1,058
Reversal of provision for impairment of trade receivables	**(1,097)**	(892)
Provision/(reversal of provision) for slow-moving inventories (included in cost of sales)	**4,212**	(2,337)
Expenses related to short-term leases	**7,674**	–
Operating lease rentals in respect of rented premises	**–**	24,279
Auditors' remuneration	**1,110**	1,110
Losses on disposal of property, plant and equipment (included in general and administrative expenses)	**23**	4
Net foreign exchange (gain)/loss (included in general and administrative expenses)	**(1,165)**	883

5 FINANCE COSTS

	2020 *HK$'000*	2019 *HK$'000*
Interest expense on short-term bank loans	**2,990**	3,179
Interest expense on lease liabilities	**577**	–
Finance lease charges	**–**	2
	3,567	3,181

6 INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2019: 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.

	2020 *HK$'000*	2019 *HK$'000*
Current income tax		
– Hong Kong Profits Tax	**181**	91
– Overseas taxation	**4,448**	4,743
– Over provision in prior years	**(9)**	(162)
	4,620	4,672
Deferred income tax		
– Overseas taxation	**194**	–
Income tax expense	**4,814**	4,672

7 LOSS PER SHARE

The calculation of basic loss per share for the year ended 31st March 2020 is based on the Group's loss attributable to equity holders of the Company of approximately HK$5,729,000 (2019: HK$7,690,000) and on the weighted average number of 200,000,000 (2019: 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 2020 and 2019.

8 DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Interim dividend paid of HK cents 0.5 (2019: HK cents 0.5) per ordinary share	**1,000**	1,000
Proposed final dividend of HK cents 0.5 (2019: HK cents 0.5) per ordinary share	**1,000**	1,000
	2,000	2,000

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.

At a meeting held on 30th June 2020, 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 2020. 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 2021.

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 of impairment, presented based on due dates:

	2020	2019
	HK$'000	*HK$'000*
0 to 60 days	**47,762**	43,937
61 to 120 days	**2,944**	2,397
121 to 180 days	**263**	310
181 to 365 days	**258**	9
	51,227	46,653

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:

	2020	2019
	HK$'000	*HK$'000*
0 to 60 days	**29,892**	25,419
61 to 120 days	**276**	985
121 to 180 days	**262**	532
181 to 365 days	**901**	760
	31,331	27,696

FINANCIAL RESULTS

For the financial year ended 31st March 2020, the Group recorded a turnover of around HK$461 million, representing a decrease of about 3.8% from approximately HK$479 million recorded in the last year. Gross profit decreased by about 7.2% from approximately HK$111 million in the last year to around HK$103 million in this year, while the gross profit margin decreased by about 0.9% from 23.2% to 22.3%. The Group recorded an operating profit of approximately HK$5.1 million (31st March 2019: profit of approximately HK$4.9 million). The loss attributable to shareholders was approximately HK$5.7 million (31st March 2019: loss of approximately HK$7.7 million). This represented loss per share of around HK$0.029 (loss per share of around HK$0.038 as at 31st March 2019). 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 2020, totally HK$1 million to the shareholders whose names appeared on the register of members of the Company on 18th August 2020. The final dividend, if approved, is expected to be paid on 2nd September 2020.

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 Business and Online Retail Business mainly under the brand of wishh! ("Cosmetic and Online Retail Business"). During the year under review, the Group's turnover derived from the Electronic Trading Business increased approximately 0.3% to about HK$287 million from approximately HK$286 million in the last year. Turnover from the Computer Business was recorded as about HK$97 million, which represented an increase of approximately 3.2% from about HK$94 million in the last year. Turnover from Cosmetic and Online Retail Business decreased 22.2% to about HK$77 million from approximately HK$99 million in the last year.

For the financial year ended 31st March 2020, the Group's total operating expenses were approximately HK$101 million, representing a decrease of about 8.2% (31st March 2019: about HK$110 million), among which the distribution and selling expenses were approximately HK$36 million which have decreased by about 7.7% from HK$39 million recorded in the last year. During the year under review, the general and administrative expenses decreased by about 8.5% to around HK$65 million (31st March 2019: about HK$71 million). As at 31st March 2020, the headcount for the Electronic Trading Business increased from 251 full-time employees last year by about 21.9% to 306 full-time employees this year while the headcount for the Computer Business decreased from 53 full-time employees last year by about 9.4% to 48 full-time employees this year and the headcount for Cosmetic and Online Retail Business decreased from 29 full time employees last year by about 24.1% to 22 full time employees this year. Meanwhile, finance cost for the year under review increased by about 12.5% to approximately HK$3.6 million (31st March 2019: approximately HK$3.2 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 MOBICON (the "Electronic Trading Business"); (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 Business and Online Retail Business mainly under the brand of wishh! ("Cosmetic and Online Retail Business"). The Electronic Trading Business, the Computer Business and the Cosmetic and Online Retail Business accounted for approximately 62.3% and 21% and 16.7% 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 21.6%, 21.6% and 25.4% respectively for the year ended 31st March 2020 (31st March 2019: approximately 23.9%, 20.4% and 23.8%).

ELECTRONIC TRADING BUSINESS

Hong Kong

Electronic Trading Business remained the primary contributor to the Group's revenue during the year under review and recorded revenue of approximately HK$287 million as compared with that of approximately HK$286 million recorded in the last year, representing an increase of approximately 0.3%. The trade dispute between the US and China dragged on. The business sentiment was greatly affected. Customers remained prudent in production scale and tightened control on purchases. The adverse effect has become more significant during the year ended 31st March 2020, not only in the Hong Kong market, but also the Southeast Asia market.

Overseas

The aggregate turnover of all of the Group's overseas subsidiaries was approximately HK$134 million for the year ended 31st March 2020, representing an overall increase of approximately 25.2% as compared with that of approximately HK$107 million recorded in the last year.

The Group's subsidiaries in South Africa recorded a turnover of approximately HK$99 million for the year ended 31st March 2020, representing an increase of about 37.5% from approximately HK$72 million in the last year. On 2nd April 2019, the Group acquired 65% of the equity interests in Swan Electrical (Pty) Limited ("Swan") for a cash consideration of approximately ZAR13.8 million (equivalent to approximately HK$7.6 million) and recorded an amount of approximately ZAR0.4 million (equivalent to approximately HK$0.2 million) in respect of goodwill on the acquisition. Swan is a reputable distributor and supplier of electrical products and components in South Africa, which has more than 200 active customers. Also, on 1st February 2020, the Group acquired 75% of the equity interests in Switch Technique (KZN) (Pty) Limited ("Switch") for a cash consideration of approximately ZAR 4.5 million (equivalent to approximately HK$2.3 million), Switch is a distributor for local manufactured rotary cam switches, fuse and load break isolators, bypass and change-over switches.

In Asia Pacific region, the Group recorded positive growth in its revenue from its operations in China. In the past few years, the Group has been actively expanding its LED power supply business in China. However, in respect of Malaysia and Singapore, the Group's revenue declined as a result of the negative impact of trade war between China and the United States.

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 about 55.5%, 20.6%, 21.6%, 1.8% and 0.5% respectively of the Group's total turnover during the year under review.

COMPUTER BUSINESS

Computer Retail Business

For the year ended 31st March 2020, the Computer Retail Business recorded a turnover of approximately HK$23 million (31st March 2019: approximately HK$21 million), representing an increase of about 9.5%. During the year under review, the Group recorded an improvement in respect of the gross profit in the Computer Retail Business due to the introduction of high profit margin products. Despite the adverse effect of the outbreak of COVID-19 on the retail market, the sales of computer accessories increased unexpectedly, attributed to the surge in demands due to the work-from-home arrangements.

Computer Distribution Business

For the year ended 31st March 2020, the turnover of the Computer Distribution Business recorded an increase of about 1.4% to approximately HK$74 million (31st March 2019: approximately HK$73 million). The Group is delighted that the brand MEC is well recognized in the market through successful marketing campaign on social media. MEC has become one of the core products of the Computer Distribution Business. Meanwhile, the Group obtained distributorship of a professional computer and mobile accessories brand, which demonstrated high growth potential.

COSMETIC AND ONLINE RETAIL BUSINESS

During the year under review, the Cosmetic and Online Retail Business recorded a turnover of approximately HK$77 million (31st March 2019: approximately HK$99 million), representing a decrease of about 22.2%. For cosmetic retail business, the impact of the outbreak of COVID-19 was slight since the Group has reduced the number of physical stores and redeployed the resources to online business in the past few years. And, our strong sourcing network enabled us to import hygiene and sanitizing products from worldwide to meet our customers' demand. The revenue from online business increased dramatically in the fourth quarter. To cope with the fast growing online business, we input extra resources to enhance our logistic centre.

DEVELOPMENT STRATEGY AND OUTLOOK

The global economy in 2020 is still dependent on the development of the trade war between China and the United States. Despite a preliminary trade agreement reached by the two countries suggested a relief in trade tensions, it is believed that global economy will take time to recover even if no further escalation to the trade disputes.

The outbreak of COVID-19 has disrupted the economic activities around the world. The Group's subsidiaries in Malaysia, Singapore and South Africa have taken cautionary measures and operated at limited capacity during the 'lockdown'. Most of the offices were able to resume normal operation in June 2020. To cope with the challenging situation, governments around the world provide financial supports to businesses. In Hong Kong, the government offers comprehensive relief packages like Employment Support Scheme and Retail Sector Subsidy Scheme to support businesses and individuals. These measures are expected to have stabilizing effect on the economy.

Despite of the economic headwinds, the Group is optimistic about its Electronic Trading Business in South Africa. The Group believes that the acquisition of Swan and Switch can achieve synergy. The Group's strong merchandising network in China can enhance the sourcing of Swan while the large client base of Swan and Switch enables the Group to reach a new group of potential customers.

With regard to the Cosmetic and Online Retail Business, both the Group's own channel and third party platform recorded considerable growth during the year under review. With increasing popularity of online shopping, the Group expects that revenue from online sector will continue to grow constantly. The Group will keep inputting resources in social media marketing for driving the sales and improvement of logistics for coping with increasing transactions volume.

Regarding the Computer Business, the Group will improve its marketing strategies to increase its market presence through channels such as social media network. Also, the Group will continue to explore distinctive products and introduce new brands to maintain the market share of the Computer Distribution Business in the local market.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March 2020, the Group's cash and bank balances amounted to approximately HK$29 million and the net current assets were approximately HK$101 million. As at 31st March 2020, the current ratio decreased to approximately 1.6 (as at 31st March 2019: approximately 1.9). Out of the Group's cash and bank balances, about 48.3% and 8.1% were denominated in Hong Kong dollars and United States dollars respectively. The balance of approximately 8.6%,16.3%,6.1%,2.7%, 3.4% and 6.5% of its total cash and bank balances was denominated in Chinese Renminbi, South African Rand, Malaysia Ringgit, New Taiwan dollars, Singaporean dollars and Euro respectively. The Group's total assets amounted to approximately HK$306 million (as at 31st March 2019: approximately HK$299 million). Net assets per share amounted to approximately HK$0.71 (as at 31st March 2019: approximately HK$0.80). Dividend and basic loss per share were approximately HK$0.01 and HK$0.029 respectively (as at 31st March 2019: approximately HK$0.01 and basic loss per share HK$0.038 respectively).

The Group was technically in breach of a covenant under a loan agreement with a bank (the "Bank"), as the Group's tangible net worth were less than that required by the Bank. As at 31st March 2020, the outstanding bank loan from the Bank was approximately HK$13,000,000. As at the date of this announcement, the Bank has not made any demand for immediate repayment of the loan. If the loan would be demanded for immediate payment, the Directors are of the opinion that the Group has sufficient financial resources to repay the loan without hindering the operating cash flow for several months.

The Group generally finances its operation by internally generated resources and banking facilities provided by banks in Hong Kong. As at 31st March 2020, the Group had banking facilities for overdrafts, loans and trade finance from banks totalling approximately HK$104 million (as at 31st March 2019: approximately HK$111 million), with an unused balance of approximately HK$36 million (as at 31st March 2019: approximately HK$36 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 2020, the total borrowings of the Group were approximately HK$68 million (as at 31st March 2019: HK$75 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 2020 were denominated in Hong Kong dollars. These short-term loans and trade finance were secured by the Company's corporate guarantees of around HK$96 million and the leasehold properties in Singapore and Portugal (as at 31st March 2019: HK$103 million). During the year under review, the Group's borrowings bore interest at rates ranging from 3.1% to 5.5% per annum (as at 31st March 2019: ranging from 1% to 5.4% per annum).

GEARING RATIO

As at 31st March 2020, the Group's gross borrowing repayable within one year, amounted to approximately HK$100 million (as at 31st March 2019: approximately HK$96 million). After deducting cash and cash equivalents of approximately HK$29 million, the Group's net borrowings amounted to approximately HK$71 million (as at 31st March 2019: approximately HK$64 million). The total equity as at 31st March 2020 was approximately HK$141 million (as at 31st March 2019: approximately HK$159 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, increased to 50.4% (as at 31st March 2019: 40.6%).

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 2020, 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 2020, the properties with carrying value of approximately HK$14 million have been pledged to secure the general banking facilities granted to the Group's subsidiaries in Singapore and Portugal.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31st March 2020.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 31st March 2020, the Group had a total of 376 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 10th August 2020 to 13th August 2020, 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 7th August 2020. The Register of Members of the Company will be closed from 19th August 2020 to 21st August 2020, during which period no transfer of shares will be effected, and the final dividend will be paid on 2nd September 2020. 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 18th August 2020.

DEALING IN COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE PRACTICES

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

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

According to the Code Provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors of the Company (the "INEDs") are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company under Bye-law 111 of the Company's Bye-laws.

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

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the annual results for the year ended 31st March 2020 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 2020.

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, 30th June 2020

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.