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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 2022

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 2022 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st March 2022

		2022	2021
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Revenue	2	501,269	456,369
Cost of sales		(369,501)	(346,516)
Gross profit		131,768	109,853
Other income and net gains	3	2,812	11,398
Distribution and selling expenses		(35,179)	(34,193)
General and administrative expenses		(69,323)	(63,819)

* *For identification purposes only*

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Operating profit		30,078	23,239
Finance costs	5	<u>(2,642)</u>	<u>(2,700)</u>
Profit before income tax		27,436	20,539
Income tax expense	6	<u>(6,296)</u>	<u>(1,950)</u>
Profit for the year	4	<u>21,140</u>	<u>18,589</u>
Profit attributable to:			
Equity holders of the Company		13,211	12,151
Non-controlling interests		<u>7,929</u>	<u>6,438</u>
		<u>21,140</u>	<u>18,589</u>
Earnings per share attributable to the equity holders of the Company during the year			
– Basic and diluted (<i>HK cents</i>)	7	<u>6.61</u>	<u>6.08</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year	<u>21,140</u>	<u>18,589</u>
Other comprehensive income		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences:		
– Subsidiaries	2,207	14,957
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Revaluation gain on property, plant and equipment	<u>151</u>	<u>45</u>
Other comprehensive income for the year, net of tax	<u>2,358</u>	<u>15,002</u>
Total comprehensive income	<u>23,498</u>	<u>33,591</u>
Total comprehensive income attributable to:		
Equity holders of the Company	15,449	20,871
Non-controlling interests	<u>8,049</u>	<u>12,720</u>
	<u>23,498</u>	<u>33,591</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		39,316	29,107
Right-of-use assets		8,741	6,937
Intangible assets		138	92
Investment properties		4,685	4,623
Goodwill	9	–	–
Other receivables		2,016	2,688
		<u>54,896</u>	<u>43,447</u>
Current assets			
Inventories		188,877	186,590
Trade receivables	10	57,827	56,868
Other receivables and deposits		17,023	13,871
Current income tax recoverable		82	178
Cash and bank balances		37,220	33,525
		<u>301,029</u>	<u>291,032</u>
Total assets		<u>355,925</u>	<u>334,479</u>
Current liabilities			
Trade payables	11	33,331	40,985
Other payables and accruals		20,619	15,327
Contract liabilities		3,240	1,294
Loan from a shareholder		30,000	25,000
Lease liabilities		5,929	4,188
Short-term bank borrowings		69,292	69,937
Current income tax liabilities		284	102
		<u>162,695</u>	<u>156,833</u>
Net current assets		<u>138,334</u>	<u>134,199</u>
Total assets less current liabilities		<u>193,230</u>	<u>177,646</u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	1,698	1,646
Lease liabilities	3,363	3,125
	<u>5,061</u>	<u>4,771</u>
Net assets	<u>188,169</u>	<u>172,875</u>
Capital and reserves attributable to the equity holders of the Company		
Share capital	20,000	20,000
Reserves	117,279	105,155
	<u>137,279</u>	<u>125,155</u>
Non-controlling interests	<u>50,890</u>	<u>47,720</u>
Total equity	<u>188,169</u>	<u>172,875</u>

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”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by 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.

Amendments to standards adopted by the Group

- (a) The Group has adopted or early adopted the following amendments to standards that have been issued and effective for the Group’s financial year beginning on or after 1st April 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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The amendments listed above did not have any significant impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

New standards and amendments to standards not yet adopted

- (b) New standards, amendments to existing standards and interpretations which have been issued but are not effective for the financial year beginning on 1st April 2021 and have not been early adopted:

HKFRS 17	Insurance Contracts and the related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ Effective for annual periods beginning on or after a date to be determined

The Group is in the process of assessing the potential impact of the above new HKFRSs upon initial application but is not yet in a position to state whether the above new and amendments to HKFRSs will have a significant impact on the Group's and the Company's results of operations and financial position.

2 REVENUE AND SEGMENT INFORMATION

Revenue recognized during the year is as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Sales of electronic components, electrical components and equipment	360,776	293,733
Sales of computer products, mobile accessories and service income	77,659	97,057
Sales of cosmetic products	62,834	65,579
	<u>501,269</u>	<u>456,369</u>

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 and Electrical Trading Business – Distribution of electronic components, electrical components 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 – Trading and 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 2022 are as follows:

	Electronic and Electrical 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	<u>360,776</u>	<u>77,659</u>	<u>62,834</u>	<u>–</u>	<u>501,269</u>
Time of revenue recognition					
– At a point in time	360,776	75,346	62,834	–	498,956
– Over time	<u>–</u>	<u>2,313</u>	<u>–</u>	<u>–</u>	<u>2,313</u>
	<u>360,776</u>	<u>77,659</u>	<u>62,834</u>	<u>–</u>	<u>501,269</u>
Segment results	<u>28,328</u>	<u>773</u>	<u>1,004</u>	<u>(27)</u>	<u>30,078</u>
Finance costs					<u>(2,642)</u>
Profit before income tax					27,436
Income tax expense (Note 6)					<u>(6,296)</u>
Profit for the year					<u>21,140</u>
Other segment items included in the consolidated statement of profit or loss are as follows:					
Amortization of intangible assets	53	–	–	–	53
Depreciation of property, plant and equipment	1,435	72	361	–	1,868
Depreciation of right-of-use assets	2,470	3,411	1,586	–	7,467
Gain on disposal of property, plant and equipment	(24)	–	–	–	(24)
Provision for impairment of trade receivables	254	2	–	–	256
Reversal of provision for impairment of trade receivables	(143)	(1)	–	–	(144)
Provision/(reversal) for impairment of slow-moving inventories	<u>2,232</u>	<u>(9)</u>	<u>7</u>	<u>–</u>	<u>2,230</u>

The segment results for the year ended 31st March 2021 are as follows:

	Electronic and Electrical Trading Business <i>HK\$'000</i>	Computer Business <i>HK\$'000</i>	Cosmetic and Online Retail Business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	<u>293,733</u>	<u>97,057</u>	<u>65,579</u>	<u>–</u>	<u>456,369</u>
Time of revenue recognition					
– At a point in time	293,733	95,985	65,579	–	455,297
– Over time	<u>–</u>	<u>1,072</u>	<u>–</u>	<u>–</u>	<u>1,072</u>
	<u>293,733</u>	<u>97,057</u>	<u>65,579</u>	<u>–</u>	<u>456,369</u>
Segment results	<u>16,454</u>	<u>4,329</u>	<u>2,478</u>	<u>(22)</u>	<u>23,239</u>
Finance costs					<u>(2,700)</u>
Profit before income tax					20,539
Income tax expense (Note 6)					<u>(1,950)</u>
Profit for the year					<u>18,589</u>
Other segment items included in the consolidated statement of profit or loss are as follows:					
Amortization of intangible assets	37	–	–	–	37
Depreciation of property, plant and equipment	1,438	120	486	–	2,044
Depreciation of right-of-use assets	2,255	4,306	2,989	–	9,550
Gain on disposal of property, plant and equipment	(29)	–	–	–	(29)
Impairment losses on goodwill	190	–	–	–	190
Provision for impairment of trade receivables	207	1	–	–	208
Reversal of provision for impairment of trade receivables	(114)	(3)	(2)	–	(119)
Provision/(reversal) for impairment of slow-moving inventories	<u>(2,919)</u>	<u>142</u>	<u>(20)</u>	<u>–</u>	<u>(2,797)</u>

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Hong Kong (country of domicile)	222,595	241,310
Asia Pacific	121,784	94,490
South Africa	143,153	109,362
Europe	12,786	9,099
Other countries	951	2,108
	<u>501,269</u>	<u>456,369</u>

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

No customer accounted for 10% or more of the total revenue for the years ended 31st March 2022 and 2021.

3 OTHER INCOME AND NET GAINS

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Management fee received from third parties	1,384	1,464
Commission income	277	704
Interest income from bank deposits	254	169
Gain on disposal of a subsidiary	12	–
Gain on disposal of property, plant and equipment	24	29
Gross rental income from investment properties	236	192
Government grants (note)	47	8,189
Other income	578	651
	<u>2,812</u>	<u>11,398</u>

Note: Under Anti-Epidemic Fund launched by the Hong Kong SAR government, wage subsidies of approximately HK\$6,329,000 related to the Employment Support Scheme and subsidies of approximately HK\$1,360,000 related to the one-off Retail Sector Subsidy Scheme were recognized in the year ended 31st March 2021. Other government subsidies of approximately HK\$10,000 were granted to subsidiaries in Hong Kong during the year ended 31st March 2021.

Government subsidies of approximately HK\$47,000 (2021: approximately HK\$490,000) granted to subsidiaries in other jurisdictions were recognized in the year ended 31st March 2022.

4 PROFIT FOR THE YEAR

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Costs of inventories expensed	363,154	346,516
Employee benefit expense	60,223	57,964
Amortization of intangible assets	53	37
Depreciation of right-of-use assets	7,467	9,550
Depreciation of property, plant and equipment	1,868	2,044
Impairment losses on goodwill	–	190
Provision for impairment of trade receivables (included in general and administrative expenses)	256	208
Reversal of provision for impairment of trade receivables (included in general and administrative expenses)	(144)	(119)
Provision/(reversal) for impairment of slow-moving inventories (included in cost of sales)	2,230	(2,797)
Expenses related to short-term leases	7,824	5,701
Auditors' remuneration	1,120	1,120
Net foreign exchange gain (included in general and administrative expenses)	(5,669)	(5,976)

5 FINANCE COSTS

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense on short-term bank borrowings	1,940	2,153
Interest expense on lease liabilities	702	547
	2,642	2,700

6 INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax		
– Hong Kong Profits Tax	117	161
– Overseas taxation	6,180	2,809
– Over-provision in prior years	(9)	(1)
	<u>6,288</u>	<u>2,969</u>
Deferred tax expense/(credit)		
– Overseas taxation	8	(1,019)
Income tax expense	<u>6,296</u>	<u>1,950</u>

7 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31st March 2022 is based on the Group's profit attributable to equity holders of the Company of approximately HK\$13,211,000 and the calculation of basic earnings per share for the year ended 31st March 2021 is based on the Group's profit attributable to equity holders of the Company of approximately HK\$12,151,000. The calculation was based on the weighted average number of 200,000,000 (2021: 200,000,000) ordinary shares in issue during the year.

The diluted earnings per share is equal to the basic earnings per share as the Company has no dilutive potential ordinary shares in issue during the years ended 31st March 2022 and 2021.

8 DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim dividend paid of HK cents 0.5 (2021: HK cents 0.5) per ordinary share	1,000	1,000
Proposed final dividend of HK cents 0.5 (2021: HK cents 0.5) per ordinary share	1,000	1,000
	<u>2,000</u>	<u>2,000</u>

At a meeting held on 29th June 2021, 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 2021.

At a meeting held on 29th June 2022, 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 2022. 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 2023.

9 GOODWILL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost	212	207
Impairment	<u>(212)</u>	<u>(207)</u>
	<u>–</u>	<u>–</u>

10 TRADE RECEIVABLES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 60 days	50,919	55,801
61 to 120 days	6,612	930
121 to 180 days	154	73
181 to 365 days	<u>142</u>	<u>64</u>
	<u>57,827</u>	<u>56,868</u>

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.

11 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 60 days	28,533	33,650
61 to 120 days	2,609	3,551
121 to 180 days	309	2,550
181 to 365 days	<u>1,880</u>	<u>1,234</u>
	<u>33,331</u>	<u>40,985</u>

FINANCIAL RESULTS

For the financial year ended 31st March 2022 (the “Reporting Period”), the Group recorded a turnover of approximately HK\$501 million, representing an increase of approximately 9.9% from approximately HK\$456 million recorded in the last year. Gross profit increased by approximately 20% from approximately HK\$110 million in the last year to approximately HK\$132 million for the Reporting Period, while the gross profit margin increased by approximately 2.2% from 24.1% to 26.3%. The Group recorded an operating profit of approximately HK\$30 million for the Reporting Period (for the year ended 31st March 2021: approximately HK\$23 million). The profit attributable to shareholders was approximately HK\$13.2 million for the Reporting Period (for the year ended 31st March 2021: profit of approximately HK\$12.2 million). This represented an increase in the earnings per share of approximately HK\$0.066 for the Reporting Period (earning per share of approximately HK\$0.061 for the year ended 31st March 2021). 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 Reporting Period, in the sum of HK\$1 million to the shareholders whose names appeared on the register of members of the Company on 25th August 2022. The final dividend, if approved, is expected to be paid on 5th September 2022.

During the Reporting Period, the Group continued to focus on its three core business operations, namely: (1) the distribution of electronic components, electrical components and equipment under the brand of  (the “Electronic and Electrical Trading Business”); (2) the computer business (the “Computer Business”) which includes (i) the retail sales of computer products and smartphone accessories under the brand of  (the “Computer Retail Business”) and (ii) the distribution of computer products and consumer products under the brand of  (the “Computer Distribution Business”); and (3) the cosmetic and online retail business mainly under the brand of  and  (the “Cosmetic and Online Retail Business”). During the Reporting Period, the Group’s turnover derived from the Electronic and Electrical Trading Business increased by approximately 22.8% from approximately HK\$294 million in the last year to approximately HK\$361 million. Turnover from the Computer Business decreased by approximately 19.6% from approximately HK\$97 million in the last year to approximately HK\$78 million. Turnover from Cosmetic and Online Retail Business decreased by approximately 4.5% from approximately HK\$66 million in the last year to approximately HK\$63 million.

During the Reporting Period, the Group's total operating expenses increased by approximately 6.7% to approximately HK\$105 million (for the year ended 31st March 2021: approximately HK\$98 million), among which the distribution and selling expenses were approximately HK\$35 million which have increased by approximately 2.9% from approximately HK\$34 million recorded in the last year. During the Reporting Period, the general and administrative expenses increased by approximately 7.8% to approximately HK\$69 million (for the year ended 31st March 2021: approximately HK\$64 million). As at 31st March 2022, the headcount for the Electronic and Electrical Trading Business increased from 312 full-time employees last year by approximately 6.1% to 331 full-time employees this year while the headcount for the Computer Business decreased from 51 full-time employees last year by approximately 7.8% to 47 full-time employees for the Reporting Period; and the headcount for Cosmetic and Online Retail Business decreased from 18 full-time employees last year by approximately 11.1% to 16 full-time employees. Meanwhile, finance cost for the Reporting Period decreased by approximately 3.7% to approximately HK\$2.6 million (for the year ended 31st March 2021: approximately HK\$2.7 million).

BUSINESS REVIEW

During the Reporting Period, the Group operated in three core business operations, namely: (1) the distribution of electronic components, electrical components and equipments under the brand of  (the "Electronic and Electrical Trading Business"); (2) the Computer Business which includes (i) the retail sales of computer products and smartphone accessories under the brand of  (the "Computer Retail Business") and (ii) the distribution of computer products and consumer products under the brand of  (the "Computer Distribution Business"); and (3) the Cosmetic Business and Online Retail Business mainly under the brand of  and  (the "Cosmetic and Online Retail Business"). The Electronic and Electrical Trading Business, the Computer Business and the Cosmetic and Online Retail Business accounted for approximately 72% and 15% and 13% of the Group's total turnover, respectively for the Reporting Period.

By analysis on the three core business operations, the gross profit margin of the Electronic and Electrical Trading Business, the Computer Business and the Cosmetic and Online Retail Business were approximately 27.1%, 23.3% and 25.1%, respectively for the Reporting Period (for the year ended 31st March 2021: approximately 24.6%, 21.5% and 25.7%).

ELECTRONIC AND ELECTRICAL TRADING BUSINESS

Hong Kong

The Electronic and Electrical Trading Business is the primary contributor to the Group's revenue during the Reporting Period and recorded revenue of approximately HK\$361 million as compared to that of approximately HK\$294 million recorded in the last year, representing an increase of approximately 22.8%. During the Reporting Period, there was a global shortage in electronic components, mainly caused by lockdown of manufacturing plants and supply shortage. To maintain enough storage for production, manufacturers were willing to pay increased price for components or looking for alternatives for scarce components. Therefore, considerable amount of out-of-date code microcontroller units ("MCU") were sold at a decent price during the Reporting Period.

Overseas

The aggregate turnover of all of the Group's overseas subsidiaries was approximately HK\$175 million for the Reporting Period, representing an overall increase of approximately 28.7% as compared to that of approximately HK\$136 million recorded in the last year.

The Group's subsidiaries in South Africa recorded turnover of approximately HK\$143 million for the Reporting Period, representing an increase of about 31.2% from approximately HK\$109 million last year. For the year ended 31 March 2021, the Government of South Africa implemented a stringent lockdown in response to the outbreak of the COVID-19 pandemic (the "COVID-19 Pandemic"). The operation of Mantech Electronics (Proprietary) Limited ("Mantech"), a subsidiary engaging in electronic components trading business in South Africa, was suspended for almost two months. During the Reporting Period, though the COVID-19 Pandemic was still uncertain, business activities resumed to normal as the restrictions imposed by the government were relaxed. Moreover, the global shortage of components also contributed to the growth in the South African business. With wide variety of products and relatively higher inventory level, Mantech managed to meet the high demand of local customers.

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 approximately 44%, 24%, 29%, 2% and 1%, respectively of the Group's total turnover during the Reporting Period.

COMPUTER BUSINESS

During the Reporting Period, the Computer Retail Business recorded a turnover of approximately HK\$20 million (for the year ended 31st March 2021: approximately HK\$25 million), representing a decrease of about 20%. During the Reporting Period, the turnover of the Computer Distribution Business recorded a decrease of about 19.4% to approximately HK\$58 million (for the year ended 31st March 2021: approximately HK\$72 million). For the year ended 31 March 2021, the Computer Business benefited from the distance-learning and work-from-home arrangements, which increased the demand for computer accessories unexpectedly. As students returned to school and work-from-home arrangement had come to end, the demand for computer accessories resumed to ordinary level.

COSMETIC BUSINESS AND ONLINE BUSINESS

During the Reporting Period, the Cosmetic and Online Retail Business recorded a turnover of approximately HK\$63 million (for the year ended 31st March 2021: approximately HK\$66 million), representing a decrease of about 4.5%. During the Reporting Period, it was still challenging and difficult for the retail store business in face of the Omicron outbreak. The imposition of “mask order” led to a low demand for makeup and cosmetic products. The gathering and social distancing restrictive measures weakened the consumer sentiment and led to low retail foot traffic. In December 2021, we closed one retail store located in Mong Kok. During the final quarter of the Reporting Period, the Group managed to source rapid antigen test kit and other protective products with its strong sourcing network to fulfil the sudden surge in market demand, when the fifth wave of the COVID-19 Pandemic outbreak was at the peak.

NOTIFIABLE AND CONNECTED TRANSACTIONS

Discloseable Transactions

On 20 December 2021, MBM Properties (Proprietary) Limited, a non-wholly owned subsidiary of the Group entered into (i) a land purchase agreement with GGP Investments, Pivotal Fund and Redefine for the acquisition of a piece of land in South Africa (the “Land”) (the “Land Acquisition”) for a consideration of approximately Rand 17 million (equivalent to approximately HK\$8 million); and (ii) a construction agreement with Project House and Purple Fountain Properties for the construction of office, warehouse and carpark bays on the Land (the “Construction”) for a consideration of approximately Rand 26 million (equivalent

to approximately HK\$13 million). The total consideration amounted to approximately Rand 43 million (equivalent to approximately HK\$21 million). To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of GGP Investments, Pivotal Fund, Redefine, Project House and Purple Fountain Properties are independent third parties.

The Land Acquisition and the Construction constituted discloseable transactions pursuant to Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)(the “Listing Rules”). For details of the Land Acquisition and the Construction, please refer to the Company’s announcements dated 20 December 2021 and 24 December 2021, respectively.

Connected Transaction

On 11 March 2022, Langa Holdings (Proprietary) Limited (“Langa”), a non-wholly owned subsidiary of the Group entered into a sale and purchase agreement with Mr. Brendyn Meyer, an independent third party for the acquisition of 25% of the equity interests in Swan Electrical (Pty) Limited (“Swan”), a non-wholly owned subsidiary of the Group, for a consideration of approximately Rand 9 million (equivalent to approximately HK\$4 million) (the “Share Acquisition”). Upon completion of the Share Acquisition, Swan is owned as to 90% by Langa.

The Share Acquisition constituted a one-off connected transaction pursuant to Chapter 14A of the Listing Rules. For details of the Share Acquisition, please refer to the Company’s announcement dated 11 March 2022.

Save as disclosed above, the Group had not entered into any notifiable or connected transactions during the Reporting Period, which required to be disclosed under Chapters 14 and 14A of the Listing Rules.

DEVELOPMENT STRATEGY AND OUTLOOK

Looking forward to the fiscal year 2022, the regional war will be an unfavorable factor pressuring on the consumer electronics market, especially in Europe. Any deterioration of the situation may have negative impact on our business. On the other hand, in the US market, there are no obvious signs of slowdown in demand by American consumers despite high inflation rate. On the supply side, material shortage, logistic delay and the lockdown of certain China cities are impacting every facet of the electronic components supply chain. It is expected that the shortage will persist throughout 2022.

In South Africa, Swan and Switch Technique KZN Proprietary Limited (“Switch”), our subsidiaries engaging in electrical components trading business are expected to grow continuously. Considering the potential growth of renewable energy market, Swan and Switch has established the individual solar energy systems business and will further develop it in the coming year. Overall, the Group is optimistic about the Electronic and Electrical Trading Business.

Regarding the Computer Business, the Group expects that the demand for computer and mobile accessories will remain stable, but the profit margin of flash memory will be under pressure due to fierce competition. We will continue to explore distinctive products and introduce new brands to maintain the market share of the computer distribution business in the local market. With the successful experience in developing our own brand MEC, the Group endeavors to market another fashionable consumer electronics brand JT.

The Group anticipates that the cosmetic retail business will continue to be under pressure. The economic outlook of Hong Kong remains uncertain since the COVID-19 Pandemic is still not fully under control. The social distancing restrictive measures and the ‘mask order’ are not expected to be lifted in Hong Kong shortly. Nevertheless, the Group will continue to monitor the situation and tailor its strategies flexibly to achieve a turnaround. Meanwhile, the Group is optimistic about its online business. In the first quarter of 2022/23, we appointed a sourcing agent in Japan to improve our sourcing network and streamline the procurement process. The Group will be able to introduce greater variety of Japanese products to consumers with shorter procurement cycle.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March 2022, the Group’s cash and bank balances amounted to approximately HK\$37 million and the net current assets were approximately HK\$138 million. As at 31st March 2022, the current ratio remained at approximately 1.9 (as at 31st March 2021: approximately 1.9). Out of the Group’s cash and bank balances, about 34% and 11% were denominated in Hong Kong dollars (“HKD”) and United States dollars (“USD”), respectively. The balance of approximately 17%, 14%, 8%, 3%, 12% and 1% of its total cash and bank balances was denominated in Chinese Renminbi (“RMB”), South African Rand, Malaysia Ringgit, New Taiwan dollars, Singapore dollars and Euro, respectively. The Group’s total assets amounted to approximately HK\$356 million as at 31st March 2022 (as at 31st March 2021: approximately HK\$334 million). Net assets per share amounted to approximately HK\$0.94 (as at 31st March 2021: approximately HK\$0.86). Dividend and basic earnings per share were approximately HK\$0.01 and HK\$0.066, respectively (as at 31st March 2021: approximately HK\$0.01 and basic earnings per share HK\$0.061, respectively)

The Group generally finances its operation by internal resources and banking facilities provided by banks in Hong Kong. As at 31st March 2022, the Group had banking facilities for overdrafts, loans and trade finance from banks totaling approximately HK\$89 million (as at 31st March 2021: approximately HK\$104 million), with an unused balance of approximately HK\$20 million (as at 31st March 2021: approximately HK\$34 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 2022, the total borrowings of the Group were approximately HK\$69 million (as at 31st March 2021: HK\$70 million), which were in the form of short-term bank loans (including short-term loans, bank overdrafts and trade finance) for financing the daily business operations and future development plans. The majority of the Group's bank borrowings as at 31st March 2022 were denominated in Hong Kong dollars. These short-term loans and trade finance were secured by the Company's corporate guarantees of around HK\$76 million and the leasehold properties in Singapore and Portugal (as at 31st March 2021: HK\$96 million). During the Reporting Period, the Group's borrowings bore interest at rates ranging from 2.2% to 7% per annum (for the year ended 31st March 2021: ranging from 2.1% to 9% per annum).

GEARING RATIO

As at 31st March 2022, the Group's gross borrowings repayable within one year, amounted to approximately HK\$99 million (as at 31st March 2021: approximately HK\$95 million). After deducting cash and cash equivalents of approximately HK\$37 million, the Group's net borrowings amounted to approximately HK\$62 million (as at 31st March 2021: approximately HK\$61 million). The total equity as at 31st March 2022 was approximately HK\$188 million (as at 31st March 2021: approximately HK\$173 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, decreased to 33 % (as at 31st March 2021: 35.3%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the Group's transactions were denominated in HKD, RMB and USD. Given that the exchange rate of HKD against RMB has been and is likely to be under control and that the Hong Kong Government's policy of pegging HKD to USD remains in effect, the Directors consider that the risk faced 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 2022, 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 2022, 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 2022.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 31st March 2022, the Group had a total of 394 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 12th August 2022 to 17th August 2022, 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 11th August 2022. The Register of Members of the Company will be closed from 23rd August 2022 to 25th August 2022, during which period no transfer of shares will be effected, and the final dividend will be paid on 5th September 2022. 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 for registration not later than 4:30 p.m. on 22nd August 2022.

DEALING IN COMPANY'S LISTED SECURITIES

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

EVENTS AFTER THE REPORTING PERIOD

There was no significant event affecting the Group after the Reporting Period and up to the date of this announcement.

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 Listing Rules during the Reporting Period except for the following deviations:

Code Provision B.2.2 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 (the “Bye-laws”) 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. Additionally, under Bye-law 111 of the Bye-laws, the independent non-executive Directors of the Company are not appointed for specific terms, but are subject to retirement by rotation and re-election at the annual general meeting.

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 Reporting Period 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 2022.

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 Reporting Period. In addition, I would like to express my heartfelt gratitude to our shareholders, institutional investors, customers, bankers and business partners for their continuous support and confidence in the Group.

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

Hong Kong, 29th June 2022

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.