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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 2023**

RESULTS

The Board of Directors (the “Directors”) of Mobicon Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2023 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st March 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Revenue	2	410,421	501,269
Cost of sales		(304,338)	(369,501)
Gross profit		106,083	131,768
Other income and net gains	3	5,663	2,812
Distribution and selling expenses		(31,519)	(35,179)
General and administrative expenses		(66,670)	(69,323)

* *For identification purposes only*

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Operating profit		13,557	30,078
Finance costs	5	<u>(4,327)</u>	<u>(2,642)</u>
Profit before income tax		9,230	27,436
Income tax expense	6	<u>(3,961)</u>	<u>(6,296)</u>
Profit for the year	4	<u>5,269</u>	<u>21,140</u>
(Loss)/profit attributable to:			
Equity holders of the Company		(378)	13,211
Non-controlling interests		<u>5,647</u>	<u>7,929</u>
		<u>5,269</u>	<u>21,140</u>
(Loss)/earnings per share attributable to the equity holders of the Company during the year			
– Basic and diluted (<i>HK cents</i>)	7	<u>(0.19)</u>	<u>6.61</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit for the year	5,269	21,140
Other comprehensive (expense)/income		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences:		
– Subsidiaries	(19,214)	2,207
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Revaluation gain on property, plant and equipment	450	151
Other comprehensive (expense)/income for the year, net of tax	(18,764)	2,358
Total comprehensive (expense)/income	(13,495)	23,498
Total comprehensive (expense)/income attributable to:		
Equity holders of the Company	(11,752)	15,449
Non-controlling interests	(1,743)	8,049
	(13,495)	23,498

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2023

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		51,811	39,316
Right-of-use assets		8,468	8,741
Intangible assets		137	138
Investment properties		5,196	4,685
Goodwill	9	–	–
Prepayments and deposits		1,945	2,016
		<u>67,557</u>	<u>54,896</u>
Current assets			
Inventories		165,939	188,877
Trade receivables	10	38,119	57,827
Prepayments, deposits and other receivables		17,992	17,023
Current income tax recoverable		52	82
Cash and bank balances		30,434	37,220
		<u>252,536</u>	<u>301,029</u>
Total assets		<u>320,093</u>	<u>355,925</u>
Current liabilities			
Trade payables	11	30,232	33,331
Other payables and accruals		22,088	20,619
Contract liabilities		1,023	3,240
Loan from a shareholder		31,000	30,000
Lease liabilities		5,107	5,929
Bank borrowings		44,804	69,292
Current income tax liabilities		629	284
		<u>134,883</u>	<u>162,695</u>
Net current assets		<u>117,653</u>	<u>138,334</u>
Total assets less current liabilities		<u>185,210</u>	<u>193,230</u>

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current liabilities		
Other payables	2,669	–
Bank borrowings	4,820	–
Deferred tax liabilities	1,200	1,698
Lease liabilities	3,847	3,363
	<u>12,536</u>	<u>5,061</u>
Net assets	<u>172,674</u>	<u>188,169</u>
Capital and reserves attributable to the equity holders of the Company		
Share capital	20,000	20,000
Reserves	103,527	117,279
	<u>123,527</u>	<u>137,279</u>
Non-controlling interests	<u>49,147</u>	<u>50,890</u>
Total equity	<u>172,674</u>	<u>188,169</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 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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 which have been issued but are not effective for the financial year beginning on 1st April 2022 and have not been early adopted:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1st January 2024

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Sales of electronic components, electrical components and equipment	272,644	360,776
Sales of computer products, mobile accessories and service income	80,129	77,659
Sales of cosmetic products	57,648	62,834
	410,421	501,269

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; (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 2023 are as follows:

	Electronic and Electrical Trading Business HK\$'000	Computer Business HK\$'000	Cosmetic and Online Retail Business HK\$'000	Total HK\$'000
Revenue from external customers	272,644	80,129	57,648	410,421
Time of revenue recognition				
– At a point in time	272,644	70,427	57,648	400,719
– Over time	–	9,702	–	9,702
	272,644	80,129	57,648	410,421
Segment results	11,244	366	1,949	13,559
Unallocated expenses				(2)
Finance costs				(4,327)
Profit before income tax				9,230
Income tax expense (<i>Note 6</i>)				(3,961)
Profit for the year				5,269
Other segment items included in the consolidated statement of profit or loss are as follows:				
Amortization of intangible assets	51	–	–	51
Depreciation of property, plant and equipment	1,180	44	236	1,460
Depreciation of right-of-use assets	2,529	2,936	2,317	7,782
Loss on disposal of property, plant and equipment	6	–	–	6
Provision for impairment of trade receivables	657	8	9	674
Reversal of provision for impairment of trade receivables	(304)	(2)	–	(306)
(Reversal)/provision for impairment of slow-moving inventories	(813)	338	87	(388)

The segment results for the year ended 31st March 2022 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>	Total <i>HK\$'000</i>
Revenue from external customers	<u>360,776</u>	<u>77,659</u>	<u>62,834</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>2,313</u>
	<u>360,776</u>	<u>77,659</u>	<u>62,834</u>	<u>501,269</u>
Segment results	<u>28,328</u>	<u>773</u>	<u>1,004</u>	<u>30,105</u>
Unallocated expenses				(27)
Finance costs				<u>(2,642)</u>
Profit before income tax				27,436
Income tax expense (<i>Note 6</i>)				<u>(6,296)</u>
Profit for the year				<u><u>21,140</u></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>2,230</u>

The segment assets and liabilities as at 31st March 2023 and additions to non-current assets for the year then ended 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
Assets	277,461	22,602	17,862	2,168	320,093
Liabilities	122,908	10,567	9,858	4,086	147,419
Additions to non-current assets	<u>21,675</u>	<u>2,766</u>	<u>1,843</u>	<u>-</u>	<u>26,284</u>

The segment assets and liabilities as at 31st March 2022 and additions to non-current assets for the year then ended 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
Assets	305,362	27,514	20,207	2,842	355,925
Liabilities	140,478	12,515	10,674	4,089	167,756
Additions to non-current assets	<u>16,694</u>	<u>3,036</u>	<u>1,732</u>	<u>-</u>	<u>21,462</u>

Geographical information

	2023 HK\$'000	2022 HK\$'000
Revenue		
Hong Kong (country of domicile)	187,121	222,595
Asia Pacific	81,436	121,784
South Africa	132,145	143,153
Europe	8,950	12,786
Other countries	769	951
	<u>410,421</u>	<u>501,269</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 2023 and 2022.

3 OTHER INCOME AND NET GAINS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Management fee received from third parties	1,430	1,384
Commission income	266	277
Interest income from bank deposits	153	254
Gain on disposal of a subsidiary	–	12
Gain on disposal of property, plant and equipment	–	24
Gross rental income from investment properties	254	236
Government grants (<i>note</i>)	3,000	47
Other income	560	578
	<u>5,663</u>	<u>2,812</u>

Note: Under Anti-Epidemic Fund launched by the Hong Kong SAR government, wage subsidies of approximately HK\$2,777,000 related to the Employment Support Scheme were recognized during the year ended 31st March 2023. SME Export Marketing Fund of approximately HK\$46,000 were granted to a subsidiary in Hong Kong during the year ended 31st March 2023.

Government subsidies of approximately HK\$177,000 (2022: approximately HK\$47,000) granted to a subsidiary in other jurisdiction were recognized during the year ended 31st March 2023.

4 PROFIT FOR THE YEAR

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Costs of inventories expensed	295,705	363,154
Employee benefit expense	58,906	60,223
Amortization of intangible assets	51	53
Depreciation of right-of-use assets	7,782	7,467
Depreciation of property, plant and equipment	1,460	1,868
Provision for impairment of trade receivables (included in general and administrative expenses)	674	256
Reversal of provision for impairment of trade receivables (included in general and administrative expenses)	(306)	(144)
(Reversal)/provision for impairment of slow-moving inventories (included in cost of sales)	(388)	2,230
Expenses related to short-term leases	6,341	7,824
Auditors' remuneration	1,120	1,120
Loss/(gain) on disposal of property, plant and equipment	6	(24)
Net foreign exchange gain (included in general and administrative expenses)	(2,970)	(5,669)
	<u>(2,970)</u>	<u>(5,669)</u>

5 FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest expense on bank borrowings	3,598	1,940
Interest expense on lease liabilities	729	702
	<u>4,327</u>	<u>2,642</u>

6 INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2022: 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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax		
– Hong Kong Profits Tax	167	117
– Overseas taxation	4,018	6,180
– Over-provision in prior years	(24)	(9)
	<u>4,161</u>	<u>6,288</u>
Deferred tax (credit)/expense		
– Overseas taxation	(200)	8
Income tax expense	<u>3,961</u>	<u>6,296</u>

7 (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the year ended 31st March 2023 is based on the Group's loss attributable to equity holders of the Company of approximately HK\$378,000 and 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. The calculation was based on the weighted average number of 200,000,000 (2022: 200,000,000) ordinary shares in issue during the year.

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as the Company has no dilutive potential ordinary shares in issue during the years ended 31st March 2023 and 2022.

8 DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interim dividend paid of HK cents 0.5 (2022: HK cents 0.5) per ordinary share	1,000	1,000
Proposed final dividend of HK cents 0.5 (2022: HK cents 0.5) per ordinary share	<u>1,000</u>	<u>1,000</u>
	<u><u>2,000</u></u>	<u><u>2,000</u></u>

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.

At a meeting held on 28th June 2023, 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 2023. This proposed final dividend is not reflected as a dividend payable in these consolidated financial statements.

9 GOODWILL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost	174	212
Impairment	<u>(174)</u>	<u>(212)</u>
	<u><u>-</u></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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 60 days	34,836	50,919
61 to 120 days	2,652	6,612
121 to 180 days	186	154
181 to 365 days	<u>445</u>	<u>142</u>
	<u><u>38,119</u></u>	<u><u>57,827</u></u>

11 TRADE PAYABLES






The ageing analysis of trade payables presented based on the invoice date is as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 60 days	21,437	28,533
61 to 120 days	5,478	2,609
121 to 180 days	1,732	309
181 to 365 days	1,585	1,880
	<hr/>	<hr/>
	30,232	33,331
	<hr/> <hr/>	<hr/> <hr/>

The credit period on purchases of goods is ranging from 30 to 90 days.






FINANCIAL RESULTS

For the financial year ended 31st March 2023 (the “Year Under Review”), the Group recorded a turnover of around HK\$410 million, representing a decrease of about 18.2% from approximately HK\$501 million recorded in the last year. Gross profit decreased by about 19.7% from approximately HK\$132 million last year to around HK\$106 million for the Year Under Review, while the gross profit margin decreased by about 1.5% from 26.3% to 25.9%. The Group recorded an operating profit of approximately HK\$13.6 million (31st March 2022: approximately HK\$30 million). The loss attributable to shareholders was approximately HK\$0.4 million (31st March 2022: profit of approximately HK\$13.2 million). This represented loss per share of around HK\$0.002 (earning per share of around HK\$0.066 as at 31st March 2022). The Board has resolved that subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, a final dividend of HK\$0.5 cent per ordinary share shall be declared for the Year Under Review, a total of HK\$1 million to the shareholders whose names appeared on the register of members of the Company on 18th August 2023. The final dividend, if approved, is expected to be paid on 29th August 2023.

During the Year Under Review, 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 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 . During the Year Under Review, the Group’s turnover derived from the Electronic and Electrical Trading Business decreased by approximately 24.4% to about HK\$273 million from approximately HK\$361 million last year. Turnover from the Computer Business increased by approximately 2.6% to about HK\$80 million from approximately HK\$78 million last year. Turnover from the Cosmetic and Online Retail Business decreased by approximately 9.5% to about HK\$57 million from approximately HK\$63 million last year.

For the Year Under Review, the Group's total operating expenses decreased by approximately 6.7% to around HK\$98 million (31st March 2022: about HK\$105 million), among which the distribution and selling expenses were approximately HK\$31 million which have decreased by about 11.4% from HK\$35 million recorded last year. During the Year Under Review, the general and administrative expenses decreased by about 2.9% to around HK\$67 million (31st March 2022: about HK\$69 million). As at 31st March 2023, the headcount for the Electronic and Electrical Trading Business decreased from 331 full-time employees last year by approximately 0.3% to 330 full-time employees for the Year Under Review while the headcount for the Computer Business remained unchanged from last year with 47 full-time employees for the Year Under Review and the headcount for Cosmetic and Online Retail Business decreased from 16 full-time employees last year by approximately 43.8% to nine full-time employees for the Year Under Review. Meanwhile, finance cost for the Year Under Review increased by about 65.4% to approximately HK\$4.3 million (31st March 2022: approximately HK\$2.6 million).

BUSINESS REVIEW

During the Year Under Review, the Group operated in 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 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 ; 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 66%, 20% and 14% of the Group's total turnover respectively for the Year Under Review.

The gross profit margin of the Electronic and Electrical Trading Business, the Computer Business and the Cosmetic and Online Retail Business were approximately 28.0%, 19.3% and 24.8% respectively for the Year Under Review (31st March 2022: approximately 27.1%, 23.3% and 25.1%).

Electronic and Electrical Trading Business

Hong Kong

Electronic and Electrical Trading Business is the primary contributor to the Group's revenue during the Year Under Review and recorded revenue of approximately HK\$273 million as compared with that of approximately HK\$361 million recorded last year, representing a decrease of approximately 24.3%. During the Year Under Review, the trading of electronic components experienced a decline cycle because of the decreasing demand. The high inflation has significantly impacted export trading in Hong Kong, resulting in a slower recovery. Nevertheless, the Group is optimistic about the Electronic and Electrical Trading Business.

Overseas

The aggregate turnover of all of the Group's overseas subsidiaries was approximately HK\$173 million for the Year Under Review, representing an overall decrease of approximately 1.1% as compared with that of approximately HK\$175 million recorded last year.

The Group's subsidiaries in South Africa recorded turnover of approximately HK\$132 million for the Year Under Review, representing a decrease by approximately 7.7% from approximately HK\$143 million last year. In the correspondence period, the energy crisis and fluctuation of fuel price had a negative impact on the economy of South Africa. The local constraint of electricity supply (Load-shedding) bounded the productivities and operations of our customers, thereby diminished the demand in electronic components.

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 45%, 20%, 32%, 2% and 1% respectively of the Group's total turnover during the Year Under Review.

Computer Business

For the Year Under Review, the Computer Retail Business recorded a turnover of approximately HK\$16 million (31st March 2022: approximately HK\$20 million), representing a decrease of approximately 20%. For the Year Under Review, the turnover of the Computer Distribution Business recorded an increase of approximately 10.3% to approximately HK\$64 million (31st March 2022: approximately HK\$58 million). Despite revenue growth, the gross profit margin for Computer Business decreased significantly to 19.3% (31st March 2022: 23.3%), this margin decline was mainly due to intensifying competition in the market.

Cosmetic and Online Retail Business

During the Year Under Review, the Cosmetic and Online Retail Business recorded a turnover of approximately HK\$57 million (31st March 2022: approximately HK\$63 million), representing a decrease of approximately 9.5%. During the Year Under Review, the global inflation induced the cautious consumption sentiment. Simultaneously, the operation of retail shops encountered pressures with the cessation of economic and business relief subsidies from the Hong Kong Government and an increase in operating costs. In March 2023, we closed two retail stores located in Ma On Shan and Wong Tai Sin. In response to the structural change in consumer purchasing behaviour, the Group has reorganised internal resources and continued to strengthen the online retail business by sourcing a wider variety of procurement for high-quality Japanese products.

DEVELOPMENT STRATEGY AND OUTLOOK

Looking towards the future, the consumer electronics markets will continue to be impacted by the ongoing Russia-Ukraine War. In addition, the energy crisis has caused high oil prices, leading to inflation and high interest rates. Coupled with the decline in demand, this has had a significant impact on the export trading business. The Group anticipates that the unfavourable situation may improve by the conclusion of 2023.

In South Africa, the Group is pleased to announce that we have almost completed our transition to the new headquarters, which is approximately 130,000 square feet. The Group expects that the new headquarters will promote our corporate image and increase our warehouse space, thereby significantly improving our operational efficiency. As a result, the Group is confident that this relocation will contribute to an increase in market share and bolster the overall profitability.

With regard to the Computer Business segment, the Group foresees a continued weakness in demand for computer products and mobile accessories. The Group remains committed to implementing dynamic sales strategies to counteract different challenges.

As for the cosmetics business, the Group expect that performance will continue to grow steadily. The removal of the COVID-19 pandemic containment measures and travel restrictions by the Hong Kong Government which resulted in the increased number of tourists from Individual Visit Scheme for the Mainland is likely to bring a positive effect to the cosmetics retail business. Meanwhile, the Group is optimistic about the prospect of online retail business. We will increase the profit margins of our products by investing additional resources to fortify our procurement capabilities, particularly in terms of sourcing high-quality Japanese goods.

In conclusion, the Group continues to review the ever-changing global landscape, seek to a better position and to take advantage when there are opportunities.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March 2023, the Group's cash and bank balances amounted to approximately HK\$30 million and the net current assets were approximately HK\$118 million. As at 31st March 2023, the current ratio remained at approximately 1.9 (as at 31st March 2022: approximately 1.9). Out of the Group's cash and bank balances, about 38% and 21% were denominated in Hong Kong dollars and United States dollars respectively. The balance of approximately 4%, 16%, 10%, 5%, 4% and 2% of its total cash and bank balances were denominated in Chinese Renminbi, South African Rand, Malaysia Ringgit, New Taiwan dollars, Singaporean dollars, Euro and others respectively. The Group's total assets amounted to approximately HK\$320 million (as at 31st March 2022: approximately HK\$356 million). Net assets per share amounted to approximately HK\$0.86 (as at 31st March 2022: approximately HK\$0.94). Dividend and basic loss per share were approximately HK\$0.01 and HK\$0.002 respectively (as at 31st March 2022: approximately HK\$0.01 and basic earnings per share HK\$0.066 respectively).

The Group generally finances its operation by internally generated resources and banking facilities provided by banks in Hong Kong. As at 31st March 2023, the Group had banking facilities for overdrafts, loans and trade finance from banks totaling approximately HK\$91 million (as at 31st March 2022: approximately HK\$89 million), with an unused balance of approximately HK\$40 million (as at 31st March 2022: approximately HK\$20 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 2023, the total borrowings of the Group were approximately HK\$50 million (as at 31st March 2022: HK\$69 million), which were including long-term loans, short-term loans and trade finance for financing the daily business operations, future development plans and construction of office, warehouse and carpark bays. All the bank borrowings as at 31st March 2023 were denominated in Hong Kong dollars, United State dollars, South Africa Rand, Euro and Singapore dollars. These long-term bank loan, short-term loans and trade finance were secured by the Company's corporate guarantees of approximately HK\$76 million and the leasehold properties in Singapore and Portugal (as at 31st March 2022: HK\$76 million). During the Year Under Review, the Group's borrowings bore interest at rates ranging from 2.8% to 11.3% per annum (as at 31st March 2022: ranging from 2.2% to 7% per annum).

GEARING RATIO

As at 31st March 2023, the Group's gross borrowings repayable within one year, amounted to approximately HK\$76 million (as at 31st March 2022: approximately HK\$99 million). After deducting cash and cash equivalents of approximately HK\$30 million, the Group's net borrowings amounted to approximately HK\$46 million (as at 31st March 2022: approximately HK\$62 million). The total equity as at 31st March 2023 was approximately HK\$173 million (as at 31st March 2022: approximately HK\$188 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, decreased to 29% (as at 31st March 2022: 33%).

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 2023, 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 2023, the properties and bank balances with carrying value of approximately HK\$21 million have been pledged to secure the general banking facilities granted to the Group's subsidiaries in Singapore, Portugal and South Africa.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31st March 2023.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 31st March 2023, the Group had a total of 386 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 7th August 2023 to 10th August 2023, 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 4th August 2023. The Register of Members of the Company will be closed from 16th August 2023 to 18th August 2023, during which period no transfer of shares will be effected, and the final dividend will be paid on 29th August 2023. 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 15th August 2023.

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.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event affecting the Group after the Year Under Review 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 emphasise 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 (the "Listing Rules") during the Year Under Review 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 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. Save for Mr. Ip Fu Wa, Benthony who was appointed as an independent non-executive director (the "INED") for a term of two years since 31st August 2022, the other INEDs are not appointed for a specific term, all the INEDs 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own Securities Dealing Code on terms no less exacting than the required standard as set out in the Model Code in Appendix 10 to the Listing Rules. Upon specific enquiry by the Company, all directors have confirmed that they fully complied with the required standard set out in the Securities Dealing Code throughout the Year Under Review.

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 Under Review. The Audit Committee comprises three independent non-executive Directors, namely Mr. Ip Fu Wa, Benthony, 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 despatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in early of July 2023.

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 Year Under Review. 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
Mobicon Group Limited
Yeung Man Yi, Beryl
Deputy Chairman and Chief Executive Officer

Hong Kong, 28th June 2023

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. Ip Fu Wa, Benthony, Dr. Leung Wai Cheung and Mr. Ku Wing Hong, Eric as independent non-executive Directors.