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 2017

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 2017 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st March 2017

	Note	**2017**	2016
		HK\$'000	*HK\$'000*
Revenue	*2*	**627,771**	684,374
Cost of sales		**(477,697)**	(520,084)
Gross profit		**150,074**	164,290
Other income, gains and losses	*3*	**14,111**	1,892
Distribution and selling expenses		**(50,790)**	(50,308)
General and administrative expenses		**(104,406)**	(97,661)
Operating profit		**8,989**	18,213
Finance costs	*5*	**(2,496)**	(2,438)
Share of loss of an associate		**–**	(32)
Profit before income tax		**6,493**	15,743
Income tax expense	*6*	**(5,241)**	(5,587)
Profit for the year	*4*	**1,252**	10,156
(Loss)/profit attributable to:			
Equity holders of the Company		**(3,763)**	3,766
Non-controlling interests		**5,015**	6,390
		1,252	10,156
(Loss)/earnings per share attributable to the equity holders of the Company during the year – Basic and diluted	*7*	**(HK cents 1.88)**	HK cents 1.88

Details of dividends are disclosed in Note 8 to the consolidated financial statements.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**1,252**	10,156
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences:		
– Subsidiaries	**4,076**	(8,368)
– Associate	**–**	(7)
Release of translation reserve upon disposals of subsidiaries	**–**	291
Release of translation reserve upon disposal of an associate	**42**	–
Item that will not be reclassified subsequently to profit or loss		
Revaluation losses on property, plant and equipment	**(344)**	(357)
Other comprehensive income/(expense), net of tax	**3,774**	(8,441)
Total comprehensive income	**5,026**	1,715
Total comprehensive income/(expense) attributable to:		
Equity holders of the Company	**(3,007)**	(517)
Non-controlling interests	**8,033**	2,232
	5,026	1,715

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**18,461**	20,942
Interests in associates		**–**	–
Other receivables		**5,376**	–
		23,837	20,942
Current assets			
Inventories		**179,548**	192,763
Trade receivables	*9*	**47,078**	58,050
Other receivables and deposits		**19,693**	25,449
Current income tax recoverable		**1,134**	589
Cash and bank balances		**45,738**	39,963
		293,191	316,814
Total assets		**317,028**	337,756
Current liabilities			
Trade payables	*10*	**31,627**	31,692
Other payables and accruals		**23,741**	22,228
Finance lease liabilities		**13**	–
Amount due to an associate		**–**	13
Short-term bank loans		**80,200**	100,828
Current income tax liabilities		**274**	1,415
		135,855	156,176
Net current assets		**157,336**	160,638
Total assets less current liabilities		**181,173**	181,580
Non-current liabilities			
Finance lease liabilities		**52**	–
		52	–
Net assets		**181,121**	181,580
Capital and reserves attributable to the equity holders of the Company			
Share capital		**20,000**	20,000
Reserves		**138,706**	143,456
		158,706	163,456
Non-controlling interests		**22,415**	18,124
Total equity		**181,121**	181,580

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, 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 and amendments to existing standards effective for annual periods beginning 1st April 2016, relevant to the Group's operation and adopted by the Group:*

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The Group has adopted these standards and the adoption of these standards did not have a significant impact on the Group's results and financial position.

There are no other new standards or amendments to standards that are effective for the first time for the financial year beginning on or after 1st April 2016 that are expected to have a material impact on the Group.

(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 2016 and have not been early adopted:*

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments[1]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]
HKFRS 16	Leases[2]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"[1]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfers of Investment Property[1]

1 Effective for annual periods beginning on or after 1st January 2018.
2 Effective for annual periods beginning on or after 1st January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1st January 2017.
5 Effective for annual periods beginning on or after 1st January 2017 or 1st January 2018, as appropriate.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1st April 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 15 "Revenue from contracts with customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1st January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 16 "Leases"

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The Group is a lessee of various properties which are currently classified as operating leases. HKFRS 16 provides a new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognize certain leases outside of the consolidated statement of financial position. Instead, when the Group is the lessee, almost all leases must be recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus, each lease will be mapped in the Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statement of financial position. As for the financial performance impact in the statement of comprehensive income, straight-line depreciation expense on the right-of-use asset and the interest expenses on the lease liability are recognized and no rental expenses will be recognized. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard is mandatory for financial years commencing on or after 1st January 2019. The Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 REVENUE AND SEGMENT INFORMATION

Revenue recognized during the year is as follows:

	2017 *HK$'000*	2016 *HK$'000*
Revenue		
Sales of electronic components, automation parts and equipment	**350,913**	405,240
Sales of computer products, mobile accessories and service income	**108,169**	107,774
Sales of cosmetic products	**168,689**	171,360
	627,771	684,374

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. Upon the expansion of the trading of cosmetic retail business, 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 Retail Business – Retail sales of cosmetic products.

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

The segment results for the year ended 31st March 2017 are as follows:

	Electronic Trading Business *HK$'000*	**Computer Business** *HK$'000*	**Cosmetic Retail Business** *HK$'000*	**Unallocated** *HK$'000*	**Group** *HK$'000*
Revenue	**350,913**	**108,169**	**168,689**	**–**	**627,771**
Segment results	**9,809**	**(1,528)**	**(6,577)**	**7,285**	**8,989**
Finance costs					**(2,496)**
Profit before income tax					**6,493**
Income tax expense *(Note 6)*					**(5,241)**
Profit for the year					**1,252**
Other segment items included in the consolidated statement of profit or loss are as follows:					
Depreciation	**1,266**	**633**	**4,908**	**–**	**6,807**
Provision for impairment of trade receivables	**243**	**–**	**–**	**–**	**243**
Reversal of provision for impairment of trade receivables	**(34)**	**–**	**–**	**–**	**(34)**
Provision for slow-moving inventories	**2,504**	**97**	**–**	**–**	**2,601**

The segment results for the year ended 31st March 2016 are as follows:

	Electronic Trading Business *HK$'000*	Computer Business *HK$'000*	Cosmetic Retail Business *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Revenue	405,240	107,774	171,360	–	684,374
Segment results	17,624	(1,458)	2,792	(745)	18,213
Finance costs					(2,438)
Share of loss of an associate					(32)
Profit before income tax					15,743
Income tax expense *(Note 6)*					(5,587)
Profit for the year					10,156
Other segment items included in the consolidated statement of profit or loss are as follows:					
Depreciation	1,285	1,258	4,879	–	7,422
Provision for impairment of trade receivables	611	–	–	–	611
Write-down of inventories	1,363	–	–	–	1,363
Reversal of provision for slow-moving inventories	(2,514)	(66)	–	–	(2,580)

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

	2017 *HK$'000*	2016 *HK$'000*
Revenue		
Hong Kong (country of domicile)	**435,436**	457,848
Asia Pacific	**106,357**	132,109
South Africa	**76,704**	82,453
Europe	**1,888**	1,410
Other countries	**7,386**	10,554
	627,771	684,374

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

3 OTHER INCOME, GAINS AND LOSSES

	2017 *HK$'000*	2016 *HK$'000*
Management fee received from an associate	**51**	156
Management fee received from third parties	**1,932**	1,614
Commission income	**2,774**	55
Interest income from bank deposits	**357**	171
Gain on disposals of associates	**6,667**	–
Loss on disposals of subsidiaries	**–**	(291)
Other income	**2,330**	187
	14,111	1,892

4 PROFIT FOR THE YEAR

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

	2017	2016
	HK$'000	*HK$'000*
Costs of inventories expensed	**477,697**	520,084
Employee benefit expense	**65,113**	64,976
Depreciation of owned property, plant and equipment	**6,807**	7,422
Provision for impairment of trade receivables (included in general and administrative expenses)	**243**	611
Reversal of provision for impairment of trade receivables	**(34)**	–
Write-down of inventories	**–**	1,363
Provision/(reversal of provision) for slow-moving inventories (included in cost of sales)	**2,601**	(2,580)
Operating lease rentals in respect of rented premises	**46,490**	41,188
Auditors' remuneration	**1,028**	1,028
Gains on disposals of property, plant and equipment (included in general and administrative expenses)	**(8)**	(333)
Net foreign exchange gains (included in general and administrative expenses)	**(1,612)**	(1,573)

5 FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest expense on short-term bank loans	**2,495**	2,438
Finance lease charges	**1**	–
	2,496	2,438

6 INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 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.

	2017	2016
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong Profits Tax	**348**	114
– Overseas taxation	**4,899**	5,501
– Over provision in prior years	**(6)**	(28)
Income tax expense	**5,241**	5,587

7 (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the year ended 31st March 2017 is based on the Group's loss attributable to equity holders of the Company of approximately HK$3,763,000 (2016: profit of HK$3,766,000) and on the weighted average number of 200,000,000 (2016: 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 2017 and 2016.

8 DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Interim dividend paid of HK cent 0.5 (2016: HK cent 0.5) per ordinary share	**1,000**	1,000
Proposed final dividend of HK cent 0.5 (2016: HK cent 0.5) per ordinary share	**1,000**	1,000
	2,000	2,000

At a meeting held on 23rd June 2016, the directors of the Company proposed a final dividend of HK cent 0.5 per ordinary share in respect of the year ended 31st March 2016.

At a meeting held on 22nd June 2017, the directors of the Company proposed a final dividend of HK cent 0.5 per ordinary share in respect of the year ended 31st March 2017. 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 ended 31st March 2017.

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 allowance for doubtful debts, presented based on due dates.

	2017	2016
	HK$'000	*HK$'000*
0 to 60 days	**46,109**	56,863
61 to 120 days	**717**	859
121 to 180 days	**54**	187
181 to 365 days	**198**	141
	47,078	58,050

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 aging analysis of trade payables is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 to 60 days	**30,723**	30,000
61 to 120 days	**146**	277
121 to 180 days	**575**	1,119
181 to 365 days	**183**	296
	31,627	31,692

FINANCIAL RESULTS

For the financial year ended 31st March 2017, the Group recorded a revenue of approximately HK$628 million, representing a decrease of about 8.2% from approximately HK$684 million recorded in the last year. Gross profit decreased by about 8.5% from approximately HK$164 million in the last year to approximately HK$150 million in this year, while the gross profit margin slightly decreased by approximately 0.1% to around 23.9% from about 24.0% in the last year. The Group's operating profit decreased by around 50% to approximately HK$9.0 million (31st March 2016: approximately HK$18 million), and the loss attributable to shareholders was approximately HK$3.8 million (31st March 2016: profit attributable to shareholders was approximately HK$3.8 million). This represented loss per share of around HK$0.019 (earnings per share of around HK$0.019 as at 31st March 2016). 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 2017, totally HK$1 million to the shareholders whose names appeared on the register of members of the Company on 15th August 2017. The final dividend, if approved, is expected to be paid on 25th August 2017.

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 (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 (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 Retail Business under the brand of . During the year under review, the Group's revenue derived from the Electronic Trading Business decreased by approximately 13.3% to about HK$351 million from approximately HK$405 million in the last year. Revenue from the Computer Business was recorded as approximately HK$108 million which was the same as last year. Revenue from Cosmetic Retail Business decreased slightly by 1.2% to approximately HK$169 million from approximately HK$171 million in the last year.

For the year ended 31st March 2017, the Group's total operating expenses were approximately HK$155 million, representing an increase of about 4.7% (31st March 2016: approximately HK$148 million), among which the distribution and selling expenses were approximately HK$51 million which have increased by 2% from approximately HK$50 million recorded in the last year. During the year under review, the general and administrative expenses increased by about 6.1% to approximately HK$104 million (31st March 2016: approximately HK$98 million). The Group adjusted its store network, relocating certain shops in order to put the rental costs under control in long run. The result has been that the Group has had to pay duplicated rentals after opening nearby stores in better locations during the transitional period. While the Group continued to control the headcount and resources put in the Electronic Trading Business, the Group allocated more resources to the Computer Business and Cosmetic Retail Business. As at 31st March 2017, the headcount for the Electronic Trading Business decreased from 307 full-time employees last year by about 11.1% to 273 full-time employees while the headcount for the Computer Business increased from 54 full-time employees last year by about 7.4% to 58 full-time employees and the Group employed the same number of full-time employees (i.e. 91) in the Cosmetic Retail Business as that of the last year. Meanwhile, finance cost for the year under review was more or less the same as last year at approximately HK$2.5 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 (the "Electronic 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 Retail Business under the brand of . The Electronic Trading Business, the Computer Business and the Cosmetic Retail Business accounted for approximately 56%, 17% and 27% of the Group's total revenue 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 Retail Business were approximately 20.9%, 17.1% and 34.6% (31st March 2016: approximately 20.4%, 19.1% and 35.7%) respectively for the year ended 31st March 2017.

ELECTRONIC TRADING BUSINESS

Hong Kong

Electronic Trading Business continues as the primary contributor to the Group's revenue and profits during the year under review and recorded revenue of approximately HK$351 million as compared with that of approximately HK$405 million recorded in the last year, representing a decrease of approximately 13.3% which was mainly due to unexpected drop of China's global exports, the frustrated Eurozone market triggered by the Brexit referendum and the unstable political situation in the Middle East.

In addition, the revenue further shrunk because of the discontinuation of distributorship from a major supplier with effective date on 31st October 2016. The revenue derived from this supplier was approximately HK$54 million during the year under review (as at 31st March 2016: approximately HK$92 million).

During the year, the Group entered into an agreement as a distributor of Rohm in order to diversify and gain further market share in the consumer electronic products.

Overseas

During the year under review, the business of the Group's overseas subsidiaries recorded a revenue of approximately HK$104 million (for the year ended 31st March 2016: approximately HK$109 million), representing a decrease of about 4.6%.

The Group's South Africa subsidiary recorded a revenue of approximately HK$77 million, representing a decrease of about 6.1% from approximately HK$82 million in the last year. The main reasons for the drop in revenue were the slowdown of the South Africa economy to almost zero GPD growth and the strengthening of the South African Rand that had slumped against strong Hong Kong dollar for a few years has proportional and direct impact on its revenue.

In terms of geographical segments, the revenue from Hong Kong, the Asia Pacific region (other than Hong Kong), South Africa, Europe and other regions accounted for 69%, 16%, 12%, 1% and 2% respectively of the Group's total revenue during the year under review.

COMPUTER BUSINESS

Computer Retail Business

For the year ended 31st March 2017, the Computer Retail Business recorded a revenue of approximately HK$25 million (31st March 2016: approximately HK$27 million), representing a decrease of about 7.4%. On the other hand, the Group recorded an improvement in the gross profit margin in the Computer Retail Business as a result of introducing new product lines which are popular and trendy products and toys. With the satisfactory performance in Computer Retail Business, the Group is continuing its search for some suitable location to increase the number of shop in order to reach out for more target customers.

Computer Distribution Business

The revenue of the Computer Distribution Business recorded an increase of about 2.5% to approximately HK$83 million (31st March 2016: approximately HK$81 million). During the year under review, the Group has focused on improving its procurement process to include better product mix to satisfy customers' needs and remain market competitive.

COSMETIC RETAIL BUSINESS

During the year under review, the plunge in the number of Mainland Chinese visitors to Hong Kong after the implementation of "one-visit-one-week" policy by the Central Government of China has an adverse impact on the cosmetic retail market. The Group's Cosmetic Retail Business reflected a slight decrease of 1.2% in terms of revenue to approximately HK$169 million (31st March 2016: approximately HK$171 million), the revenue from the second half of the year under review had experienced a downward trend mainly due to the depreciation of Renminbi and the changing consumer behaviour that have led to decreased spending by Mainland Chinese visitors. Nevertheless, the Group will continue to devote resources in marketing promotional activities to increase its brand awareness and market share by rearranging its product mix. Due to the adverse cosmetic retail environment, the Group will remain prudent with regard to the store network expansion. The number of cosmetic retail stores as at 31st March 2017 was 36 which was reduced from 38 recorded as at 31st March 2016. During the year under review, the Group opened 4 shops in the popular shopping districts in Hong Kong, namely Causeway Bay, Mong Kok and Tsim Sha Tsui and closed down 6 shops in shopping mall upon the expiry of the relevant leases.

DEVELOPMENT STRATEGY AND OUTLOOK

During the year under review, the global economy had remained laborious due to uncertainties brought by the Brexit, the outcome of the US presidential election, the slowdown of economic growth in China, and interest rate hike in the USA, which leads to fluctuations in international exchange rates. The unstable situation in the Middle East and Europe also added uncertainties to the global market.

Depreciation of Renminbi, the appreciation of HK dollar as the result of its peg with the strong US dollar, along with intense competition had made visiting Hong Kong much more costly for travelers during the year under review. The falling export and slowing economy in China further weakened consumers' confidence on the retail market. Nevertheless, the Group will continuously monitor and adopt different kind of management strategies to soothe the anxiety of customers and vendors in order to stabilize its operating and financial performance.

Despite the lowering of rental of retail shops in first-tier areas and other areas during the year under review, the benefit from reduction of rents was almost offset by the downward movement of the retail sales. The domestic sales are even harder to support the rental expenses. The Group will take advantage of this opportunity to actively re-negotiate with landlords for better renewal lease agreements or even close certain low-performing shops so as to ensure a cost-effective operation.

With regard to its Electronic Trading Business, the Group will continue to closely monitor its operating expenditure and will implement effective cost control mechanisms in other regions to maximize overall profitability of the Group. During the year under review, the Group controlled its cost by downsizing the operations by approximately 11.1% in terms of number of full time employees as compared with that of as recorded in 2016. To overcome the keen competition in electronic market, a series of operational adjustments were introduced to the Group's operation. Besides radio frequency module for toys application, the Group expands components for lighting industry in China. In addition, the Group plans to introduce OSRAM lighting products, component and equipment from suppliers in China to South Africa market. The Group will continue to seek new business opportunities and maintain close relationships with vendors to gain insights on industrial trends and new components.

The Group has been aware of the recent boom in online shopping during the year under review. With advanced technology, the younger generation consumers who are keen on searching information through the internet are able to shop anytime anywhere with any smart devices. The Group has launched our own online store WISHH.com and cooperated with other well known online shopping platforms to broaden the marketing channels aiming at reaching more target customers. By providing physical retailing experience and online shopping services to customers, the Group strives to expand the customer base of its cosmetic and computer businesses.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March 2017, the Group's cash and bank balances amounted to approximately HK$46 million and the net current assets were approximately HK$157 million. As at 31st March 2017, the current ratio increased to approximately 2.2 (as at 31st March 2016: approximately 2.0). Out of the Group's cash and bank balances, about 56% and 16% were denominated in Hong Kong dollars and United States dollars respectively. The balance of approximately 16%, 6%, 4%, 1%, and 1% of its total cash and bank balances was denominated in Chinese Renminbi, South African Rand, Malaysia Ringgit, New Taiwan dollars and Singaporean dollars respectively. The Group's total assets amounted to approximately HK$317 million (as at 31st March 2016: approximately HK$338 million). Net assets per share amounted to approximately HK$0.91 (as at 31st March 2016: approximately HK$0.91). Dividend and basic loss per share were approximately HK$0.01 and HK$0.019 respectively (as at 31st March 2016: approximately HK$0.01 and basic earnings per share HK$0.019 respectively).

The Group generally finances its operation by internally generated resources and banking facilities provided by banks in Hong Kong. As at 31st March 2017, the Group had banking facilities for overdrafts, loans and trade finance from banks totaling approximately HK$156 million (as at 31st March 2016: approximately HK$157 million), with an unused balance of approximately HK$76 million (as at 31st March 2016: approximately HK$56 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 2017, the total borrowings of the Group were approximately HK$80 million (as at 31st March 2016: approximately HK$101 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 2017 were denominated in Hong Kong dollars. These short-term loans and trade finance were secured by the Company's corporate guarantees of approximately HK$152 million and the leasehold properties in Singapore (as at 31st March 2016: HK$164 million), with a maturity term of one to four months, and such short-term loans can be rolled over afterwards at the Group's discretion.

During the year under review, the Group's borrowings bore interest at rates ranging from 2.20% to 3.50% per annum (as at 31st March 2016: ranging from 1.88% to 3.46% per annum).

GEARING RATIO

As at 31st March 2017, the Group's gross borrowing repayable within one year, amounted to approximately HK$80 million (as at 31st March 2016: approximately HK$101 million). After deducting cash and cash equivalents of approximately HK$46 million, the Group's net borrowings amounted to approximately HK$34 million (as at 31st March 2016: approximately HK$61 million). The total equity as at 31st March 2017 was approximately HK$181 million (as at 31st March 2016: approximately HK$182 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, decreased to 18.8% (as at 31st March 2016: 33.5%). The decrease of net gearing ratio was mainly due to the decrease of bank borrowings in relation to the Group's strategy of slowing down the pace of development in its Cosmetic Retail Business.

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 2017, 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 2017, the properties with carrying value of approximately HK$10 million have been pledged to secure the general banking facilities granted to the Group's subsidiary in Singapore.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 31st March 2017, the Group had total outstanding operating lease commitments of approximately HK$61 million (as at 31st March 2016: approximately HK$53 million). In view of the Group's high level of liquid funds, it is expected that the Group will be able to fulfill all these commitments without any difficulty. The Group had no contingent liabilities as at 31st March 2017.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 31st March 2017, the Group had a total of 422 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 3rd August 2017 to 8th August 2017, 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 2nd August 2017. The Register of Members of the Company will be closed from 12th August 2017 to 15th August 2017, during which period no transfer of shares will be effected, and the final dividend will be paid on 25th August 2017. 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 11th August 2017.

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 2017 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 2017.

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
Hung Kim Fung, Measure
Chairman

Hong Kong, 22nd June 2017

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.