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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 2021**

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 2021 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st March 2021

	<i>Notes</i>	2021	2020
		HK\$'000	HK\$'000
Revenue	2	456,369	461,245
Cost of sales		(346,516)	(358,614)
Gross profit		109,853	102,631
Other income and net gains	3	11,398	3,969
Distribution and selling expenses		(34,193)	(36,104)
General and administrative expenses		(63,819)	(65,364)

* *For identification purposes only*

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Operating profit		23,239	5,132
Finance costs	5	<u>(2,700)</u>	<u>(3,567)</u>
Profit before income tax		20,539	1,565
Income tax expense	6	<u>(1,950)</u>	<u>(4,814)</u>
Profit/(loss) for the year	4	<u>18,589</u>	<u>(3,249)</u>
Profit/(loss) attributable to:			
Equity holders of the Company		12,151	(5,729)
Non-controlling interests		<u>6,438</u>	<u>2,480</u>
		<u>18,589</u>	<u>(3,249)</u>
Earnings/(loss) per share attributable to the equity holders of the Company during the year			
– Basic and diluted (<i>HK cents</i>)	7	<u>6.08</u>	<u>(2.86)</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss) for the year	<u>18,589</u>	<u>(3,249)</u>
Other comprehensive income/(expense)		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences:		
– Subsidiaries	14,957	(17,471)
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Revaluation gain on property, plant and equipment	<u>45</u>	<u>95</u>
Other comprehensive income/(expense) for the year, net of tax	<u>15,002</u>	<u>(17,376)</u>
Total comprehensive income/(expense)	<u>33,591</u>	<u>(20,625)</u>
Total comprehensive income/(expense) attributable to:		
Equity holders of the Company	20,871	(16,166)
Non-controlling interests	<u>12,720</u>	<u>(4,459)</u>
	<u>33,591</u>	<u>(20,625)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		29,107	27,314
Right-of-use assets		6,937	11,755
Intangible assets		92	63
Investment properties		4,623	4,518
Goodwill		–	171
Other receivables		2,688	3,360
		<u>43,447</u>	<u>47,181</u>
Current assets			
Inventories		186,590	166,032
Trade receivables	9	56,868	51,227
Other receivables and deposits		13,871	12,974
Current income tax recoverable		178	111
Cash and bank balances		33,525	28,830
		<u>291,032</u>	<u>259,174</u>
Total assets		<u>334,479</u>	<u>306,355</u>
Current liabilities			
Trade payables	10	40,985	31,331
Other payables and accruals		15,327	15,140
Contract liabilities		1,294	3,338
Loan from a shareholder		25,000	32,000
Lease liabilities		4,188	7,796
Short-term bank loans		69,937	67,586
Current income tax liabilities		102	1,192
		<u>156,833</u>	<u>158,383</u>
Net current assets		<u>134,199</u>	<u>100,791</u>
Total assets less current liabilities		<u>177,646</u>	<u>147,972</u>

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	1,646	2,279
Lease liabilities	3,125	4,209
	<u>4,771</u>	<u>6,488</u>
Net assets	<u>172,875</u>	<u>141,484</u>
Capital and reserves attributable to the equity holders of the Company		
Share capital	20,000	20,000
Reserves	105,155	86,284
	<u>125,155</u>	<u>106,284</u>
Non-controlling interests	47,720	35,200
Total equity	<u>172,875</u>	<u>141,484</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”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment and investment properties, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

Amendments to standards and conceptual framework adopted by the Group

- (a) The Group has adopted or early adopted the following amendments to standards and conceptual framework that have been issued and effective for the Group’s financial year beginning on or after 1st April 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKFRS 16	COVID-19–Related Rent Concession

The amendments and conceptual framework listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods, except for the Amendment of HKFRS 16. Detailed impacts of the early adoption of Amendment to HKFRS 16 is disclosed in Note 1(b) below.

- (b) Amendment to HKFRS 16 – Covid-19-Related Rent Concessions – Impact of early adoption

The Group has early adopted Amendment to HKFRS 16 – Covid-19-Related Rent Concessions retrospectively from 1st April 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) any reduction in lease payments affects only payments due on or before 30th June 2021; and (c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totaling approximately HK\$186,000 have been accounted for as negative variable lease payments and recognized in distribution and selling expenses in the consolidated income statement for the year ended 31st March 2021, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1st April 2020.

2 REVENUE AND SEGMENT INFORMATION

Revenue recognized during the year is as follows:

	2021 <i>HK\$'000</i>	2020 HK\$'000
Revenue		
Sales of electronic components, electrical components and equipment	293,733	287,487
Sales of computer products, mobile accessories and service income	97,057	97,073
Sales of cosmetic products	65,579	76,685
	456,369	461,245

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 – 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 2021 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>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)
Provision for impairment of trade receivables	207	1	–	–	208
Impairment losses on goodwill	190	–	–	–	190
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 segment results for the year ended 31st March 2020 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>287,487</u>	<u>97,073</u>	<u>76,685</u>	<u>–</u>	<u>461,245</u>
Time of revenue recognition					
– At a point in time	287,487	94,310	76,685	–	458,482
– Over time	<u>–</u>	<u>2,763</u>	<u>–</u>	<u>–</u>	<u>2,763</u>
	<u>287,487</u>	<u>97,073</u>	<u>76,685</u>	<u>–</u>	<u>461,245</u>
Segment results	<u>3,028</u>	<u>964</u>	<u>1,144</u>	<u>(4)</u>	<u>5,132</u>
Finance costs					<u>(3,567)</u>
Profit before income tax					1,565
Income tax expense (Note 6)					<u>(4,814)</u>
Loss for the year					<u>(3,249)</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	1,075	222	633	–	1,930
Depreciation of right-of-use assets	2,182	3,389	3,053	–	8,624
Provision for impairment of trade receivables	1,208	77	47	–	1,332
Losses on disposal of property, plant and equipment	23	–	–	–	23
Reversal of provision for impairment of trade receivables	(849)	(155)	(93)	–	(1,097)
Provision for impairment of slow-moving inventories	<u>4,191</u>	<u>9</u>	<u>12</u>	<u>–</u>	<u>4,212</u>

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Hong Kong (country of domicile)	241,310	255,795
Asia Pacific	94,490	95,082
South Africa	109,362	99,575
Europe	9,099	8,277
Other countries	2,108	2,516
	<u>456,369</u>	<u>461,245</u>

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

3 OTHER INCOME AND NET GAINS

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Management fee received from third parties	1,464	1,490
Commission income	704	806
Interest income from bank deposits	169	192
Gain on bargain purchase	–	866
Gain on disposal of property, plant and equipment	29	–
Gross rental income from investment properties	192	232
Government grants (note)	8,189	–
Other income	651	383
	<u>11,398</u>	<u>3,969</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.

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

4 PROFIT/LOSS FOR THE YEAR

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Costs of inventories expensed	346,516	358,614
Employee benefit expense	57,964	49,660
Amortization of intangible assets	37	37
Depreciation of right-of-use assets	9,550	8,624
Depreciation of property, plant and equipment	2,044	1,930
Impairment loss on goodwill	190	–
Provision for impairment of trade receivables (included in general and administrative expenses)	208	1,332
Reversal of provision for impairment of trade receivables (Reversal of provision)/provision for impairment of slow-moving inventories (included in cost of sales)	(119) (2,797)	(1,097) 4,212
Expenses related to short-term leases	5,701	7,674
Auditors' remuneration	1,120	1,110
(Gain)/losses on disposal of property, plant and equipment (included in general and administrative expenses)	(29)	23
Net foreign exchange gain (included in general and administrative expenses)	(5,976)	(1,165)

5 FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expense on short-term bank loans	2,153	2,990
Interest expense on lease liabilities	547	577
	2,700	3,567

6 INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax		
– Hong Kong Profits Tax	161	181
– Overseas taxation	2,809	4,448
– Over-provision in prior years	(1)	(9)
	<u>2,969</u>	<u>4,620</u>
Deferred tax (credit)/expense		
– Overseas taxation	(1,019)	194
Income tax expense	<u>1,950</u>	<u>4,814</u>

7 EARNINGS/LOSS PER SHARE

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

The diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share as the Company has no dilutive potential ordinary shares in issue during the years ended 31st March 2021 and 2020.

8 DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim dividend paid of HK cents 0.5 (2020: HK cents 0.5) per ordinary share	1,000	1,000
Proposed final dividend of HK cents 0.5 (2020: HK cents 0.5) per ordinary share	1,000	1,000
	<u>2,000</u>	<u>2,000</u>

At a meeting held on 13th August 2020, the directors of the Company proposed a final dividend of HK cents 0.5 per ordinary share in respect of the year ended 31st March 2020.

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. 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 2022.

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 credit losses, presented based on due dates:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 60 days	55,801	47,762
61 to 120 days	930	2,944
121 to 180 days	73	263
181 to 365 days	64	258
	<u>56,868</u>	<u>51,227</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.






10 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 60 days	33,650	29,892
61 to 120 days	3,551	276
121 to 180 days	2,550	262
181 to 365 days	1,234	901
	<u>40,985</u>	<u>31,331</u>






FINANCIAL RESULTS

For the financial year ended 31st March 2021, the Group recorded a turnover of around HK\$456 million, representing a decrease of about 1.1% from approximately HK\$461 million recorded in the last year. Gross profit increased by about 6.8% from approximately HK\$103 million in the last year to around HK\$110 million this year, while the gross profit margin increased by about 1.8% from 22.3% to 24.1%. The Group recorded an operating profit of approximately HK\$23 million (31st March 2020: approximately HK\$5.1 million). The profit attributable to shareholders was approximately HK\$12.2 million (31st March 2020: loss of approximately HK\$5.7 million). This represented earnings per share of around HK\$0.061 (loss per share of around HK\$0.029 as at 31st March 2020). 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 ended 31st March 2021, totally HK\$1 million to the shareholders whose names appeared on the register of members of the Company on 20th August 2021. The final dividend, if approved, is expected to be paid on 3rd September 2021.

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 increased approximately 2.1% to about HK\$293 million from approximately HK\$287 million in the last year. Turnover from the Computer Business remained at about HK\$97 million. Turnover from Cosmetic and Online Retail Business decreased 14.3% to about HK\$66 million from approximately HK\$77 million in the last year.

For the financial year ended 31st March 2021, the Group's total operating expenses decreased by about 3% to around HK\$98 million (31st March 2020: about HK\$101 million), among which the distribution and selling expenses were approximately HK\$34 million which have decreased by about 5.6% from HK\$36 million recorded in the last year. During the year under review, the general and administrative expenses decreased by about 1.5% to around HK\$64 million (31st March 2020: about HK\$65 million). As at 31st March 2021, the headcount for the Electronic and Electrical Trading Business increased from 306 full-time employees last year by about 2% to 312 full-time employees this year while the headcount for the Computer Business increased from 48 full-time employees last year by about 6.3% to 51 full-time employees this year and the headcount for Cosmetic and Online Retail Business decreased from 22 full-time employees last year by about 18.2% to 18 full-time employees this year. Meanwhile, finance cost for the year under review decreased by about 25% to approximately HK\$2.7 million (31st March 2020: approximately HK\$3.6 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 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  ("Cosmetic and Online Retail Business"). The Electronic and Electrical Trading Business, the Computer Business and the Cosmetic and Online Retail Business accounted for approximately 64.4% and 21.3% and 14.3% of the Group's total turnover respectively for the year under review.

By analysis on the three core business operations, the gross profit margin of the Electronic and Electrical Trading Business, the Computer Business and the Cosmetic and Online Retail Business were approximately 24.6%, 21.5% and 25.7% respectively for the year ended 31st March 2021 (31st March 2020: approximately 21.6%, 21.6% and 25.4%).

The outbreak of the COVID-19 pandemic brought much of the economic activities to a halt in the year 2020. In response, governments around the world provided financial reliefs to businesses and individual. The Group was granted government subsidies to overcome adversity during the year.

ELECTRONIC AND ELECTRICAL TRADING BUSINESS

Hong Kong

Electronic and Electrical Trading Business is the primary contributor to the Group's revenue during the year and recorded revenue of approximately HK\$293 million as compared with that of approximately HK\$287 million recorded in the last year, representing an increase of approximately 2.1%. In response to the spread of COVID-19 pandemic, many countries around the world implemented restrictions on cross border activities and social distance, which caused severe damage to the global economy. Electronic and Electrical Trading Business in Hong Kong was inevitably hit. In particular, purchase orders of customers from the toy manufacturing industries decreased remarkably. While in the second half of the year, the number of purchases orders rebounded along with the recovery of global business activities.

Overseas

The aggregate turnover of all of the Group's overseas subsidiaries was approximately HK\$136 million for the year ended 31st March 2021, representing an overall increase of approximately 1.5% as compared with that of approximately HK\$134 million recorded in the last year.

The Group's subsidiaries in South Africa recorded turnover of approximately HK\$109 million for the year ended 31st March 2021, representing an increase of about 10.1% from approximately HK\$99 million last year. In the first quarter, South Africa implemented a stringent lockdown for around 50 days in response to the outbreak of COVID-19. The operation of one of our main subsidiaries engaging in electronic components trading business was almost suspended during that period. On the other hand, our subsidiaries engaging in electrical components distribution, which is considered as the essential business, was less impacted by the lockdown. Business activities gradually resumed as the restrictions imposed by the governments to control the COVID-19 pandemic were relaxed in the second half of the year. With the contribution of our lately acquired subsidiary on 1st February 2020, the electrical components distribution business continued to grow rapidly and lead to an overall increase in revenue derived from South Africa.

In terms of geographical segments, the turnover from Hong Kong, the Asia Pacific region (other than Hong Kong), South Africa, Europe and other regions accounted for about 52.8%, 20.7%, 24%, 2.0% and 0.5% respectively of the Group's total turnover during the year under review.

COMPUTER BUSINESS

Computer Retail Business

For the year ended 31st March 2021, the Computer Retail Business recorded a turnover of approximately HK\$25 million (31st March 2020: approximately HK\$23 million), representing an increase of about 8.7%. It was a challenging year for most retailing business in Hong Kong. However, unexpectedly, the demand for computer products and accessories surged during the year due to the work-from-home arrangement and distance learning.

Computer Distribution Business

For the year ended 31st March 2021, the turnover of the Computer Distribution Business recorded a decrease of about 2.7% to approximately HK\$72 million (31st March 2020: approximately HK\$74 million). The decrease was mainly attributed to the fierce market competition. In response, the Group continued to explore the business opportunities for the distributorship of professional computer and accessories brand. Among the computer brands we distributed, the brand MEC is well recognised in the market and becomes one of the core brands.

Cosmetic and Online Retail Business

During the year under review, the Cosmetic and Online Retail Business recorded a turnover of approximately HK\$66 million (31st March 2020: approximately HK\$77 million), representing a decrease of about 14.3%. During the year, sales were hindered by the outbreak of COVID-19 pandemic. The gathering and social distance restrictions led to low retail foot traffic in the city. The 'mask rule' imposed by the governments also led to a lower demand for makeup cosmetic products. Conversely, the COVID-19 accelerated the growth of e-commerce. Our online business continued to record growth during the year.

DEVELOPMENT STRATEGY AND OUTLOOK

Looking ahead to 2021, the global economy is expected to recover gradually with the availability of COVID-19 vaccines and stimulation fiscal policy adopted by large economies, though persistent outbreaks and the mutation of the virus cause uncertainties.

The Group is optimistic about the Electronic and Electrical Trading Business. The supply of electronic components is in serious shortage while the demand is ramping up. It is expected that such supply-demand imbalance will persist in the near future. Manufacturers are actively placing purchase orders to maintain enough storage for productions. The price of integrated circuits has been increasing. Also, one of our main subsidiaries in South Africa engaging in the distribution of electronic components, was adversely impacted by the COVID-19 pandemic, the Group believes that its business performance will return to the pre-COVID-19 level provided that there will be no stringent lockdown. In addition, Swan has established its reputation in the South Africa market. Considerable growth is expected in the coming financial years.

Concerning the computer business, the outbreak of COVID-19 accelerated the work-from-home and distance learning trend. The Group expects that the demand for computer and mobile accessories will remain strong and stable. 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. Also, with regard to the computer retail business, the Group will continue to improve its marketing strategies to increase its market presence through social media network.

The cosmetic retail business is under pressure as the COVID-19 pandemic situation is still unstable. The social distancing restriction and the ‘mask order’ are not expected to be lifted in Hong Kong shortly. The Group will continue to monitor the situation and tailor its strategies flexibly to achieve a turnaround. Meanwhile, our online business recorded growth in the last financial year. With the increasing popularity of online shopping, the Group will continue to devote resources in the social media marketing with a view to drive sales.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March 2021, the Group’s cash and bank balances amounted to approximately HK\$34 million and the net current assets were approximately HK\$134 million. As at 31st March 2021, the current ratio increased to approximately 1.9 (as at 31st March 2020: approximately 1.6). Out of the Group’s cash and bank balances, about 40% and 17% were denominated in Hong Kong dollars and United States dollars respectively. The balance of approximately 7.3%, 22.8%, 7.2%, 1.3%, 1.1% and 3.3% of its total cash and bank balances was denominated in Chinese Renminbi, South African Rand, Malaysia Ringgit, New Taiwan dollars, Singaporean dollars and Euro respectively. The Group’s total assets amounted to approximately HK\$334 million (as at 31st March 2020: approximately HK\$306 million). Net assets per share amounted to approximately HK\$0.86 (as at 31st March 2020: approximately HK\$0.71). Dividend and basic earnings per share were approximately HK\$0.01 and HK\$0.061 respectively (as at 31st March 2020: approximately HK\$0.01 and basic loss per share HK\$0.029 respectively).

The Group generally finance its operation by internally generated resources and banking facilities provided by banks in Hong Kong. As at 31st March 2021, the Group had banking facilities for overdrafts, loans and trade finance from banks totalling approximately HK\$104 million (as at 31st March 2020: approximately HK\$104 million), with an unused balance of approximately HK\$34 million (as at 31st March 2020: approximately HK\$36 million). The Directors believe that the Group's existing financial resources are sufficient to fulfill its current commitments and working capital requirements.

CAPITAL STRUCTURE

As at 31st March 2021, the total borrowings of the Group were approximately HK\$70 million (as at 31st March 2020: HK\$68 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 the Group's bank borrowings as at 31st March 2021 were denominated in Hong Kong dollars. These short-term loans and trade finance were secured by the Company's corporate guarantees of around HK\$96 million (as at 31st March 2020: HK\$96 million) and the leasehold properties in Singapore and Portugal. During the year under review, the Group's borrowings bore interest at rates ranging from 2.1% to 9% per annum (as at 31st March 2020: ranging from 3.1% to 5.5% per annum).

GEARING RATIO

As at 31st March 2021, the Group's gross borrowings repayable within one year, amounted to approximately HK\$95 million (as at 31st March 2020: approximately HK\$100 million). After deducting cash and cash equivalents of approximately HK\$34 million, the Group's net borrowings amounted to approximately HK\$61 million (as at 31st March 2020: approximately HK\$71 million). The total equity as at 31st March 2021 was approximately HK\$173 million (as at 31st March 2020: approximately HK\$141 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, decreased to 35.5% (as at 31st March 2020: 50.4%).

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 2021, 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 2021, 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 2021.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 31st March 2021, the Group had a total of 381 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 2021 to 17th August 2021, 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 2021. The Register of Members of the Company will be closed from 23rd August 2021 to 25th August 2021, during which period no transfer of shares will be effected, and the final dividend will be paid on 3rd September 2021. 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 20th August 2021.

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 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 2021 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 2021.

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 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, 29th June 2021

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.