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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

RESULTS

The Board of Directors (the "Board") of Mobicon Group Limited (the "Company") hereby announces the unaudited interim consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2018 (the "Period") together with comparative figures for the corresponding period in 2017. These unaudited interim results have not been audited by the Company's auditor, but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 September 2018

		Six months ended 30 September	
		2018	2017
		(Unaudited)	(Unaudited)
	Note	***HK\$'000***	*HK\$'000*
Revenue	*3*	**261,766**	283,786
Cost of sales		**(199,721)**	(220,363)
Gross profit		**62,045**	63,423
Other income – net		**2,245**	3,271
Selling and distribution expenses		**(20,851)**	(23,031)
General and administrative expenses		**(40,356)**	(45,033)
Operating profit/(loss)	*4*	**3,083**	(1,370)
Finance costs	*5*	**(1,694)**	(1,169)
Profit/(loss) before income tax		**1,389**	(2,539)
Income tax expenses	*6*	**(2,761)**	(2,560)
Loss for the period		**(1,372)**	(5,099)
Loss attributable to:			
Equity holders of the Company		**(3,891)**	(8,240)
Non-controlling interests		**2,519**	3,141
		(1,372)	(5,099)
Loss per share attributable to equity holders of the Company for the period – Basic and diluted (HK cents)	*8*	**(1.9)**	(4.1)

Details of dividends are disclosed in Note 7 to the condensed consolidated interim financial information.

* *For identification purposes only*

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(1,372)**	(5,099)
Other comprehensive expense:		
Item that may be reclassified subsequently to profit or loss		
Currency translation differences:		
– Subsidiaries	**(10,325)**	(492)
Other comprehensive expense for the period	**(10,325)**	(492)
Total comprehensive expense for the period	**(11,697)**	(5,591)
Total comprehensive expense attributable to:		
Equity holders of the Company	**(10,209)**	(7,886)
Non-controlling interests	**(1,488)**	2,295
	(11,697)	(5,591)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Note	**As at 30 September 2018 (Unaudited)** *HK$'000*	As at 31 March 2018 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**15,349**	16,917
Other receivables		**4,368**	4,704
		19,717	21,621
Current assets			
Inventories		**161,156**	173,681
Trade receivables	*9*	**57,881**	51,657
Other receivables and deposits		**20,765**	22,579
Current income tax recoverable		**388**	180
Cash and cash equivalents		**21,056**	28,251
		261,246	276,348
Total assets		**280,963**	297,969
Current liabilities			
Trade payables	*10*	**24,942**	25,366
Other payables and accruals		**10,050**	11,166
Finance lease liabilities		**14**	14
Short-term bank loans		**89,175**	92,590
Current income tax liabilities		**1,295**	640
		125,476	129,776
Net current assets		**135,770**	146,572
Total assets less current liabilities		**155,487**	168,193
Non-current liabilities			
Finance lease liabilities		**34**	43
		34	43
Net assets		**155,453**	168,150
Capital and reserves attributable to the equity holders of the Company			
Share capital		**20,000**	20,000
Reserves		**110,898**	122,107
		130,898	142,107
Non-controlling interests		**24,555**	26,043
Total equity		**155,453**	168,150

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2018 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations).

2. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2018, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

New and amended standards adopted by the Group

The following new standards, amendments to existing standards and interpretation are mandatory for adoption for the financial year beginning 1 April 2018 for the Group:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above HKFRSs has had no significant impact on the Group's interim condensed consolidated financial statements. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

Standards, amendments to standards and interpretations which are not yet effective

The Group has not early applied the following new standards, amendments and improvements to existing standards and interpretations that have been issued but are not yet effective.

HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatment[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after 1 January 2021.

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 HKFRSs will have a significant impact on the Group's and the Company's results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

Revenue recognized during the period is as follows:

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sales of electronic components, automation parts and equipment	**152,218**	165,633
Sales of computer products, mobile accessories and related service income	**54,323**	56,292
Sales of cosmetic products	**55,225**	61,861
	261,766	283,786

The chief operating decision-maker has been identified as the executive directors of the Company (the "Executive Directors"). The Executive Directors have reviewed the Group's internal reports in order to assess the performance and allocate resources; they have also determined the operating segments based on these reports. The Executive Directors have further considered the business from product perspective and have assessed the performance of three main business segments: (i) Electronic Trading Business – Distribution of electronic components, automation parts and equipment; (ii) Computer Business – Retail sales of computer products and 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 period ended 30 September 2018 are as follows:

	Six months ended 30 September 2018 (Unaudited)				
	Electronic Trading Business	**Computer Business**	**Cosmetic and Online Retail Business**	**Unallocated**	**Group**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Revenue	**152,218**	**54,323**	**55,225**	**–**	**261,766**
Segment results before finance costs	**4,504**	**1,889**	**(3,308)**	**(2)**	**3,083**
Finance costs	**(1,247)**	**–**	**(447)**	**–**	**(1,694)**
Profit before income tax					**1,389**
Income tax expenses					**(2,761)**
Loss for the period					**(1,372)**

The segment results for the period ended 30 September 2017 are as follows:

	Six months ended 30 September 2017 (Unaudited)				
	Electronic Trading Business	Computer Business	Cosmetic and Online Retail Business	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	165,633	56,292	61,861	–	283,786
Segment results before finance costs	6,049	807	(8,154)	(72)	(1,370)
Finance costs	(844)	–	(325)	–	(1,169)
Loss before income tax					(2,539)
Income tax expenses					(2,560)
Loss for the period					(5,099)

The segment assets and liabilities as at 30 September 2018 and additions to non-current assets for the period then ended are as follows:

	Electronic Trading Business *HK$'000*	**Computer Business** *HK$'000*	**Cosmetic and Online Retail Business** *HK$'000*	**Unallocated** *HK$'000*	**Group** *HK$'000*
Assets	**219,019**	**25,259**	**31,560**	**5,125**	**280,963**
Liabilities	**98,045**	**9,115**	**18,328**	**22**	**125,510**
Additions to non-current assets	**323**	**34**	**589**	**–**	**946**

The segment assets and liabilities as at 31 March 2018 and additions to non-current assets for the year then ended are as follows:

	Electronic Trading Business *HK$'000*	Computer Business *HK$'000*	Cosmetic and Online Retail Business *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Assets	230,142	24,117	38,248	5,462	297,969
Liabilities	94,386	10,434	24,977	22	129,819
Additions to non-current assets	844	648	694	–	2,186

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

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Hong Kong (country of domicile)	**181,216**	201,082
Asia Pacific	**41,477**	41,024
South Africa	**37,629**	39,151
Europe	**874**	755
Other countries	**570**	1,774
	261,766	283,786

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

4. EXPENSES BY NATURE

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories expensed	**199,721**	220,363
Employee benefits expense	**27,053**	30,101
Depreciation of owned property, plant and equipment	**1,415**	2,242
Provision/(reversal of provision) for slow-moving inventories (included in cost of sales)	**5,611**	(440)
Operating lease rentals in respect of rented premises	**14,289**	20,001
Reversal of provision for impairment of trade receivables (included in general and administrative expenses)	**(52)**	(13)
Net foreign exchange loss/(gain) (included in general and administrative expenses)	**988**	(466)
Losses on disposal of property, plant and equipment (included in general and administrative expenses)	**70**	3

5. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expense on short-term bank loans	**1,693**	1,168
Finance lease charges	**1**	1
	1,694	1,169

6. INCOME TAX EXPENSES

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

For the six months ended 30 September 2018, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5% on the estimated assessable profits.

Hong Kong Profits Tax is provided at 16.5% on the estimated assessable profits for the six months ended 30 September 2017.

The amount of taxation charged to the condensed consolidated interim income statement represents:

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong Profits Tax	**99**	168
– Overseas taxation	**2,662**	2,392
Income tax expenses	**2,761**	2,560

The Company is exempted from taxation in Bermuda until 2035.

7. DIVIDENDS

At a meeting held on 27 November 2018, the directors of the Company declared an interim dividend of HK$0.005 per ordinary share (2017: HK$0.005 per ordinary share) for the six months ended 30 September 2018. This interim dividend has not been recognized as a liability at the reporting date. The interim dividend will be payable on 24 December 2018 to shareholders whose names appear on the Register of Members of the Company as at 13 December 2018.

8. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30 September 2018 is based on the Group's loss attributable to the equity holders of the Company of approximately HK$3,891,000 (2017: HK$8,240,000) and on the weighted average number of 200,000,000 ordinary shares (2017: 200,000,000 ordinary shares) in issue during the period.

No diluted loss per share is presented as there were no potential dilutive ordinary shares in issue during the six months ended 30 September 2018 and 2017.

9. TRADE RECEIVABLES

The Group normally grants to its customers credit periods for sales of goods ranging from 7 to 90 days. The ageing analysis of trade receivables, net of allowance for doubtful debts, is as follows:

	As at 30 September 2018 (Unaudited) *HK$'000*	As at 31 March 2018 (Audited) *HK$'000*
0 to 60 days	**55,345**	49,245
61 to 120 days	**2,113**	2,048
121 to 180 days	**147**	212
181 to 365 days	**276**	152
Trade receivables	**57,881**	51,657

The maximum exposure to credit risk at the reporting date is the carrying amount of trade receivables. 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:

	As at 30 September 2018 (Unaudited) *HK$'000*	As at 31 March 2018 (Audited) *HK$'000*
0 to 60 days	**22,220**	24,419
61 to 120 days	**2,039**	250
121 to 180 days	**556**	445
181 to 365 days	**127**	252
	24,942	25,366

FINANCIAL RESULTS

The Group recorded a revenue of approximately HK$262 million during the Period, representing a decrease of approximately 7.7% as compared with the revenue of approximately HK$284 million recorded in the six months ended 30 September 2017 (the "Corresponding Period").

During the Period, the Group's gross profit decreased from approximately HK$63 million recorded in the Corresponding Period by approximately 1.6% to approximately HK$62 million and the gross profit margin slightly increased to approximately 23.7% (Corresponding Period: approximately 22.3%). In terms of the three core business operations of the Group, gross profit margin of the distribution business of electronic components, automation parts and equipment under the brand of MOBICON (the "Electronic Trading Business"), the computer business under the brand of VideoCom (the "Computer Business") and the cosmetic and online retail business mainly under the brand of wishh! (the "Cosmetic and Online Retail Business") were approximately 25.1%, 18.5% and 25% (Corresponding Period: approximately 21.4%, 17.2% and 29.6%) respectively. The Group recorded operating profit of approximately HK$3.1 million as compared with that of loss of HK$1.4 million in the Corresponding Period. The total operating expenses for the Period decreased by approximately 10.3% to approximately HK$61 million (Corresponding Period: approximately HK$68 million).

The selling and distribution expenses of the Group for the Period were approximately HK$21 million, representing a decrease of approximately 8.7% from those recorded in the Corresponding Period of approximately HK$23 million. The general and administrative expenses decreased by about 11.1% or approximately HK$5 million to approximately HK$40 million for the Period from approximately HK$45 million recorded in the Corresponding Period. Finance costs for the Period increased to approximately HK$1.7 million (Corresponding Period: approximately HK$1.2 million), representing an increase of approximately 41.7% over the Corresponding Period.

Accordingly, the loss attributable to the equity holders of the Company was approximately HK$3.9 million (Corresponding Period: loss of approximately HK$8.2 million), representing basic loss per share of HK$0.019 (Corresponding Period: basic loss per share of HK$0.041). The Board has resolved to declare an interim dividend of HK0.5 cent per ordinary share (the Corresponding Period: HK0.5 cent per ordinary share) for the six months period ended 30 September 2018, totaling HK$1 million.

BUSINESS REVIEW

During the Period, the Group operated in three core business operations, namely: (1) the Electronic Trading Business; (2) the Computer Business which includes (i) the retail sales of computer products and smartphone accessories under the brand of VideoCom (the "Computer Retail Business"); and (ii) the distribution of computer products and consumer products under the brand of APower (the "Computer Distribution Business"); and (3) the Cosmetic and Online Retail Business mainly under the brand of wishh!, accounted for approximately 58%, 21% and 21% of the Group's total revenue respectively for the Period.

Electronic Trading Business

Hong Kong

Electronic Trading Business is the primary contributor to the Group's revenue and profits during the Period. It contributed revenue of approximately HK$152 million as compared with approximately HK$166 million recorded in the Corresponding Period, representing a decrease of approximately 8.4% which was mainly due to the shutdown of the world's leading toys retailer in the U.S.. As a result, the toy manufacturers produced less and the demand of our electronic components was adversely affected.

Besides, the trade war between China and the US continues to escalate. The trade war added uncertainties to the economies of the U.S. and China as well as to the global economy. Some of the customers from China decreased their placing of orders from us in the past few months.

Overseas

The financial results of the Group's overseas operations were relatively stable. The aggregate revenue of all of the Group's overseas subsidiaries were approximately HK$54 million, representing an overall decrease of approximately 1.8% as compared with that of approximately HK$55 million recorded in the Corresponding Period.

The Group's subsidiary in South Africa recorded a revenue of approximately HK$38 million (Corresponding Period: approximately HK$39 million). Despite that the South Africa Rand depreciated as compared with that of quoted in Corresponding Period, the Group was able to generate stable revenue as the Group's market position in South Africa remains competitive.

In terms of geographical segments, revenue from Hong Kong, the Asia Pacific region (other than Hong Kong), South Africa, and other regions accounted for 69%, 16%, 14% and 1% respectively of the Group's total revenue during the Period.

Computer Business

Computer Retail Business

The revenue of the Computer Retail Business for the Period was approximately HK$11 million (Corresponding Period: approximately HK$12 million). We showed a turn from loss to profit. During the Period, the Group closed a shop and shifted more resources to other profitable shops. The Group continues to search for suitable shop locations in order to reach more target customers.

Computer Distribution Business

The revenue of the Computer Distribution Business recorded approximately HK$43 million (Corresponding Period: approximately HK$44 million). The revenue from this segment remains stable while the gross profit recorded a growth as compared with the same recorded in the Corresponding Period due to the alleviated competition in the local market of flash memory cards. We explored and sourced some new electronic products during the Period in order to maintain the market share in Computer Distribution Business.

Cosmetic and Online Retail Business

The revenue of the Cosmetic and Online Retail Business dropped about 11.3% to approximately HK$55 million during the Period (Corresponding Period: approximately HK$62 million).

We have taken steps to minimize the losses. The loss in this segment was improved during the Period. The Group resolutely took an optimization approach to close down those loss-making retail stores and redeployed the resources to the profit-making retail stores. As at 30 September 2018, the Group had 14 retail stores (Corresponding Period: 31 stores).

Despite the fact that the overall segment revenue decreased, the revenue from online retail business recorded steady growth. Currently, the Group is co-operating with a famous online platform, selling wide range of products including cosmetic and beauty products, housewares and groceries. The Group is actively considering setting up more online stores in the future.

OUTLOOK

With regard to the Electronic Trading Business, the Group expects that the electronic components market in Hong Kong will not recover in a short time. Nevertheless, the Group is optimistic about the electronic trading business in South Africa. The Group's subsidiary in South Africa continues to contribute significantly to the revenue of the Group. Additional human resources will be input to cope with the growth. Meanwhile, the construction of our new branch office building in South Africa was almost completed. Our Cape Town branch will soon move to the new building, which will provide more capacity for our business expansion. The Group believes that it will strengthen the business of Cape Town branch in long term. In the Asian market, as the trade war between China and the US is still on-going, it is expected that more manufacturers will move to other Asian countries as a result. The Group's subsidiaries in Singapore and Malaysia may benefit from this situation. Furthermore, the Group will keep searching for investment opportunity. Currently, we are in the process of acquiring of a Portuguese electronic distribution company, which is considered as a stepping stone towards penetrating into the European markets.

Regarding the Group's Computer Business, the Group expects that the domestic consumption will be stable. The Group is continuing its search for suitable locations in order to reach more target customers. We will, however, continue to be careful and prudent when examining new leases or relocation in the future.

For the Cosmetic and Online Retail Business, the Group will endeavor to grasp the opportunities of online business development. We will continue to closely co-operate with a famous online platform. Encouraged by the results recorded from its online sector during the Period, the Group is planning to open more online stores with different themes selling wider range of products e.g. lifestyle products and baby products.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2018, the Group's cash and bank balances amounted to approximately HK$21 million and the net current assets were approximately HK$136 million. As at 30 September 2018, the current ratio stood at approximately 2.1 (as at 31 March 2018: approximately 2.1). Out of the Group's cash and bank balances, about 51.4% and 12.1% were denominated in Hong Kong dollars and Chinese Renminbi respectively. The balance of approximately 16.8%, 8.7%, 6.6%, 3.1%, and 1.3% of its total cash and bank balances was denominated in United States dollars, South African Rand, Malaysia Ringgit, Singaporean dollars and others respectively.

The Group generally finances its operation by internally generated resources and banking facilities provided by banks in Hong Kong. As at 30 September 2018, the Group had banking facilities for overdrafts, loans and trade finance from banks totaling approximately HK$153 million (as at 31 March 2018: approximately HK$153 million), with an unused balance of approximately HK$64 million (as at 31 March 2018: approximately HK$60 million). During the Period, the Group's borrowings bore interest at rates ranging from 2.68% to 4.74% per annum (as at 31 March 2018: ranging from 2.68% to 4.2% per annum). The Directors believe that the Group's existing financial resources are sufficient to fulfill its current commitments and working capital requirements.

Compared with the audited balances as at 31 March 2018, the Group's trade receivables increased by about 11.5% to approximately HK$58 million whilst the Group's trade payables remained at HK$25 million. For the same period, the Group's inventories decreased by about 7.5% to approximately HK$161 million. The increase in the trade receivables was in line with the traditional trend of stronger sale performance in the third quarter as compared with that in the first quarter of each calendar year, which gave a higher trade receivables balance as at 30 September 2018. On the other hand, the decrease of inventory was mainly due to better control of inventory level during the Period. The debtors turnover days, the creditors days and the inventory days for the Period were 38 days, 25 days and 153 days respectively (as at 31 March 2018: 33 days, 25 days and 154 days respectively). The Group recorded net operating cash outflow of approximately HK$1 million and decreased in bank borrowings of approximately HK$4 million for the Period, compared with the net operating cash outflow of approximately HK$13 million and increased in bank borrowings of approximately HK$12 million for the Corresponding Period.

CAPITAL STRUCTURE

As at 30 September 2018, the Group's gross borrowings repayable within one year, amounted to approximately HK$89 million (as at 31 March 2018: approximately HK$93 million). After deducting cash and cash equivalents of approximately HK$21 million, the Group's net borrowings amounted to approximately HK$68 million (as at 31 March 2018: approximately HK$65 million). The total equity as at 30 September 2018 was approximately HK$155 million (as at 31 March 2018: approximately HK$168 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, increased to 43.9% (as at 31 March 2018: 38.7%).

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 linking the Hong Kong dollars to the United States dollars remains in effect, the Directors consider that the risk faced by the Group on foreign exchange will remain minimal and as such no hedging or other alternative measures have been undertaken by the Group. As at 30 September 2018, 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 30 September 2018, 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 30 September 2018, the Group had total outstanding operating lease commitments of approximately HK$21 million (as at 31 March 2018: HK$34 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 30 September 2018.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 30 September 2018, the Group had a total of 345 full-time employees inclusive of its staff in Hong Kong and the staff of its 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).

INTERIM DIVIDEND

By a Board resolution passed on 27 November 2018 (Tuesday), the Board had resolved to declare an interim dividend of HK$0.005 per ordinary share for the six months ended 30 September 2018 (2017: HK$0.005 per ordinary share). The interim dividend will be payable on 24 December 2018 (Monday) to shareholders whose names appear on the Register of Members of the Company as at 13 December 2018 (Thursday).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 11 December 2018 (Tuesday) to 13 December 2018 (Thursday), both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares 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 10 December 2018 (Monday).

MODEL CODE FOR SECURITIES TRANSACTIONS

During the Period, the Company has adopted a Code of Conduct regarding directors' transactions in securities of the Company on terms no less exacting than the required standard set out in the Model Code under Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Having made all reasonable enquiries with the directors of the Company, the Company was of the view that the directors had complied with the said Code of Conduct throughout the Period.

DEALINGS IN COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed shares during the six months ended 30 September 2018. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the six months ended 30 September 2018.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Code") throughout the Period, except for the deviation stated below:

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. None of the independent non-executive directors of the Company was appointed for specific term but all of them are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws. Pursuant to the code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the Bye-laws of the Company, the Chairman and Managing Director are not subject to retirement by rotation or be taken into account in determining the number of directors to retire, which deviated from code provision A.4.2 of the Code. As continuation is a key factor to the successful implementation of any long term business plans, the Board believes that the present arrangement is most beneficial to the Company and its shareholders as a whole.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group; it has also discussed with the directors about the risk management, internal controls and financial reporting matters including the reviewing of the unaudited condensed consolidated financial statements for the six months ended 30 September 2018. The Audit Committee comprises three independent non-executive directors, who currently are Dr. Leung Wai Cheung (Chairman), Mr. Charles E. Chapman and Mr. Ku Wing Hong, Eric.

PUBLICATION OF FURTHER INFORMATION

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company. The interim report of the Company for the Period containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders and published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.mobicon.com) in due course.

APPRECIATION

I would like to take this opportunity to express my gratitude to my fellow directors and all members of the staff for their loyalty and dedication and the continuous support from our customers, suppliers, bankers and shareholders.

By order of the Board
Hung Kim Fung, Measure
Chairman

Hong Kong, 27 November 2018

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.