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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

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 2020 (the “Period”) together with comparative figures for the corresponding period in 2019. 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 STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2020

		Six months ended	
		30 September	
		2020	2019
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$’000	HK\$’000
Revenue	3	219,744	233,975
Cost of sales		(164,139)	(181,471)
Gross profit		55,605	52,504
Other income – net		7,339	1,192
Selling and distribution expenses		(16,541)	(17,771)
General and administrative expenses		(34,248)	(33,690)
Operating profit	4	12,155	2,235
Finance costs	5	(1,369)	(1,675)
Profit before income tax		10,786	560
Income tax expenses	6	(1,270)	(2,344)
Profit/(loss) for the period		9,516	(1,784)
Profit/(loss) attributable to:			
Equity holders of the Company		7,344	(3,981)
Non-controlling interests		2,172	2,197
		9,516	(1,784)
Earnings/(loss) per share attributable to equity holders of the Company for the period			
– Basic and diluted (HK cents)	8	3.7	(2.0)

Details of dividends are disclosed in Note 7 to this announcement.

* For identification purposes only

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss) for the period	<u>9,516</u>	<u>(1,784)</u>
Other comprehensive income/(expense):		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences:		
– Subsidiaries	<u>5,195</u>	<u>(2,908)</u>
Other comprehensive income/(expense) for the period	<u>5,195</u>	<u>(2,908)</u>
Total comprehensive income/(expense) for the period	<u>14,711</u>	<u>(4,692)</u>
Total comprehensive income/(expense) attributable to:		
Equity holders of the Company	11,004	(5,220)
Non-controlling interests	<u>3,707</u>	<u>528</u>
	<u>14,711</u>	<u>(4,692)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	<i>Note</i>	As at 30 September 2020 (Unaudited) <i>HK\$'000</i>	As at 31 March 2020 (Audited) <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		28,164	27,314
Right-of-use assets		9,254	11,755
Intangible assets		55	63
Investment properties		4,704	4,518
Goodwill		182	171
Other receivables		3,024	3,360
		45,383	47,181
Current assets			
Inventories		171,024	166,032
Trade receivables	9	49,727	51,227
Other receivables and deposits		12,609	12,974
Current income tax recoverable		91	111
Cash and cash equivalents		33,989	28,830
		267,440	259,174
Total assets		312,823	306,355
Current liabilities			
Trade payables	10	29,401	31,331
Other payables and accruals		15,096	15,140
Contract liabilities	3(a)	2,832	3,338
Loan from a shareholder		28,000	32,000
Lease liabilities		4,302	7,796
Short-term bank loans		69,435	67,586
Current income tax liabilities		1,605	1,192
		150,671	158,383
Net current assets		116,769	100,791
Total assets less current liabilities		162,152	147,972
Non-current liabilities			
Deferred tax liabilities		1,946	2,279
Lease liabilities		5,211	4,209
		7,157	6,488
Net assets		154,995	141,484
Capital and reserves attributable to equity holders of the Company			
Share capital		20,000	20,000
Reserves		96,288	86,284
		116,288	106,284
Non-controlling interests		38,707	35,200
Total equity		154,995	141,484

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2020 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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 2020, 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.

(a) 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 2020 for the Group:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3 (Revised)	Definition of a Business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge Accounting
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the above standards and interpretation did not result in any substantial changes to the Group’s accounting policies and had no material financial impact on the unaudited condensed consolidated interim financial information.

The Group’s accounting policy in relation to government grant is as follows:

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

(b) 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.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to HKAS 16	Property, plant and equipment — Proceeds Before Intended Use ²
Amendments to HKAS 37	Onerous contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 16	COVID-19-Related Rent Concessions ¹
Annual Improvements Project HKFRS 17	Annual Improvements 2018-2020 cycle ² Insurance Contracts ³

¹ Effective for annual periods beginning on or after 1 June 2020.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of assessing the potential impact of the above new HKFRSs upon initial application but is not yet in a position to state whether the above new 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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sales of electronic components, automation parts and equipment	132,022	152,176
Sales of computer products and mobile accessories and related service income	52,485	46,127
Sales of cosmetic products	35,237	35,672
	219,744	233,975

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; and (ii) Computer Business – Retail sales of computer products, mobile accessories, distribution of computer products and provision of IT outsourcing and solution services; and (iii) Cosmetic and Online Retail Business – 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 six months ended 30 September 2020 are as follows:

	Six months ended 30 September 2020				
	(Unaudited)				
	Electronic		Cosmetic		
	Trading	Computer	and Online		
	Business	Business	Retail	Unallocated	Group
	HK\$’000	HK\$’000	Business	HK\$’000	HK\$’000
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Revenue	<u>132,022</u>	<u>52,485</u>	<u>35,237</u>	–	<u>219,744</u>
Time of revenue recognition					
– At a point in time	132,022	51,416	35,237	–	218,675
– Over time	–	1,069	–	–	1,069
	<u>132,022</u>	<u>52,485</u>	<u>35,237</u>	–	<u>219,744</u>
Segment results before finance costs	5,880	3,733	2,543	(1)	12,155
Finance costs	<u>(1,037)</u>	<u>(137)</u>	<u>(195)</u>	–	<u>(1,369)</u>
Profit before income tax					10,786
Income tax expenses (<i>Note 6</i>)					<u>(1,270)</u>
Profit for the period					<u>9,516</u>

The segment results for the six months ended 30 September 2019 are as follows:

	Six months ended 30 September 2019 (Unaudited)				
	Electronic 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>	Group <i>HK\$'000</i>
Revenue	<u>152,176</u>	<u>46,127</u>	<u>35,672</u>	<u>–</u>	<u>233,975</u>
Time of revenue recognition					
– At a point in time	152,176	44,841	35,672	–	232,689
– Over time	<u>–</u>	<u>1,286</u>	<u>–</u>	<u>–</u>	<u>1,286</u>
	<u>152,176</u>	<u>46,127</u>	<u>35,672</u>	<u>–</u>	<u>233,975</u>
Segment results before finance costs	3,580	270	(1,612)	(3)	2,235
Finance costs	<u>(1,305)</u>	<u>(30)</u>	<u>(340)</u>	<u>–</u>	<u>(1,675)</u>
Profit before income tax					560
Income tax expenses (<i>Note 6</i>)					<u>(2,344)</u>
Loss for the period					<u>(1,784)</u>

The segment assets and liabilities as at 30 September 2020 and additions to non-current assets for the period then ended are as follows:

	Electronic	Computer	Cosmetic	Unallocated	Group
	Trading	Business	and Online		
	Business	Business	Retail	Business	Business
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets	<u>252,341</u>	<u>31,578</u>	<u>24,824</u>	<u>4,080</u>	<u>312,823</u>
Liabilities	<u>121,715</u>	<u>16,927</u>	<u>15,098</u>	<u>4,088</u>	<u>157,828</u>
Additions to non-current assets	<u>590</u>	<u>1,470</u>	<u>62</u>	<u>–</u>	<u>2,122</u>

The segment assets and liabilities as at 31 March 2020 and additions to non-current assets for the year then ended are as follows:

	Electronic Trading Business (Audited) <i>HK\$'000</i>	Computer Business (Audited) <i>HK\$'000</i>	Cosmetic and Online Retail Business (Audited) <i>HK\$'000</i>	Unallocated (Audited) <i>HK\$'000</i>	Group (Audited) <i>HK\$'000</i>
Assets	<u>246,071</u>	<u>28,716</u>	<u>27,452</u>	<u>4,116</u>	<u>306,355</u>
Liabilities	<u>128,102</u>	<u>14,186</u>	<u>18,495</u>	<u>4,088</u>	<u>164,871</u>
Additions to non-current assets	<u>1,952</u>	<u>2,713</u>	<u>4,018</u>	<u>–</u>	<u>8,683</u>

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

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Hong Kong (country of domicile)	129,979	131,274
Asia Pacific	39,569	46,415
South Africa	45,123	51,384
Europe	4,089	3,709
Other countries	984	1,193
	<u>219,744</u>	<u>233,975</u>

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

(a) **Contract liabilities**

The Group has recognized the following liabilities related to contracts with customers:

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Contract liabilities related to sales of electronic components, automation parts and equipment	1,094	1,063
Contract liabilities related to sales of computer products, mobile accessories and service income	1,543	1,739
Contract liabilities related to sales of cosmetic products	195	536
	<u>2,832</u>	<u>3,338</u>

(b) **Revenue recognized in relation to contract liabilities**

Revenue of approximately HK\$2,301,000 is recognized in relation to contract liabilities for the six months ended 30 September 2020 related to carried forward contract liabilities as at 1 April 2020.

4. **EXPENSES BY NATURE**

	Six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Cost of inventories expensed	164,139	181,471
Employee benefits expense	25,838	25,317
Amortization of intangible assets	16	–
Depreciation of right-of-use assets	4,568	2,923
Depreciation of owned property, plant and equipment	813	774
Provision for slow-moving inventories (included in cost of sales)	584	329
Expenses related to short-term leases	3,903	8,593
Provision for impairment of trade receivables (included in general and administrative expenses)	232	36
Reversal of provision for impairment of trade receivables (included in general and administrative expenses)	(377)	(237)
Net foreign exchange (gain)/loss (included in general and administrative expenses)	(286)	278
(Gain)/loss on disposal of property, plant and equipment (included in general and administrative expenses)	(1)	33
	<u>(1)</u>	<u>33</u>

5. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expense on short-term bank loans	1,172	1,537
Interest expense on lease liabilities	197	138
	<u>1,369</u>	<u>1,675</u>

6. INCOME TAX EXPENSES

Hong Kong Profits Tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the six months ended 30 September 2020. Taxation on overseas profit has been calculated on the estimated assessable profit for the periods at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged/(credited) to the condensed consolidated interim statement of profit or loss represents:

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong Profits Tax	172	89
– Overseas taxation	1,564	2,255
	<u>1,736</u>	<u>2,344</u>
Deferred income tax		
– Overseas taxation	(466)	–
Income tax expenses	<u>1,270</u>	<u>2,344</u>

The Company is exempted from taxation in Bermuda until 2035.

7. DIVIDENDS

At a meeting held on 27 November 2020, the directors of the Company declared an interim dividend of HK\$0.005 per ordinary share (2019: HK\$0.005 per ordinary share) for the six months ended 30 September 2020. This interim dividend has not been recognized as a liability at the reporting date. The interim dividend will be payable on 6 January 2021 to shareholders whose names appear on the Register of Members of the Company as at 24 December 2020.

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2020 is based on the Group's profit attributable to the equity holders of the Company of approximately HK\$7,344,000 (2019: loss of approximately HK\$3,981,000) and on the weighted average number of 200,000,000 ordinary shares (2019: 200,000,000 ordinary shares) in issue during the period.

No diluted earnings/(loss) per share is presented as there were no potential dilutive ordinary shares in issue during the six months ended 30 September 2020 and 2019.

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 provision of impairment, presented based on due dates:

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
0 to 60 days	47,643	47,762
61 to 120 days	1,493	2,944
121 to 180 days	387	263
181 to 365 days	204	258
	<hr/> 49,727 <hr/>	<hr/> 51,227 <hr/>

The maximum exposure to credit risk at the reporting date is the carrying amount 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:

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
0 to 60 days	27,229	29,892
61 to 120 days	735	276
121 to 180 days	169	262
181 to 365 days	1,268	901
	<hr/> 29,401	<hr/> 31,331

FINANCIAL RESULTS




The Group recorded a revenue of approximately HK\$220 million during the Period, representing a decrease of approximately 6% as compared with the revenue of approximately HK\$234 million recorded in the six months ended 30 September 2019 (the “Corresponding Period”).

During the Period, the Group’s gross profit increased from approximately HK\$53 million recorded in the Corresponding Period by approximately 5.7% to approximately HK\$56 million and the gross profit margin increased to approximately 25.3% (Corresponding Period: approximately 22.4%). 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  (the “Electronic Trading Business”), the computer business under the brand of  (the “Computer Business”) and the cosmetic and online retail business mainly under the brand of  (the “Cosmetic and Online Retail Business”) were approximately 26.5%, 22.1% and 25.8% respectively (Corresponding Period: approximately 22.8%, 20.7% and 23%) respectively. The Group recorded other income of approximately HK\$7.3 million (Corresponding Period: approximately HK\$1.2 million). Other income recorded during the Period was mainly attributed to the recognition of government grants of approximately HK\$6 million. The Group recorded operating profit of approximately HK\$12.2 million as compared with that of profit of HK\$2.2 million in the Corresponding Period. The total operating expenses for the Period remained at HK\$51 million (Corresponding Period: approximately HK\$51 million).

The distribution and selling expenses of the Group for the Period were approximately HK\$17 million, representing a decrease of approximately 5.6% from those recorded in the Corresponding Period of approximately HK\$18 million. The general and administrative expenses increased by about 1.5% or approximately HK\$0.5 million to approximately HK\$34.2 million for the Period from approximately HK\$33.7 million recorded in the Corresponding Period. Finance costs for the Period were approximately HK\$1.4 million, representing a decrease of approximately 17.6% (Corresponding Period: approximately HK\$1.7 million).

Accordingly, the profit attributable to the equity holders of the Company was approximately HK\$7.3 million (Corresponding Period: loss of approximately HK\$4 million), representing basic earnings per share of HK\$0.037 (Corresponding Period: basic loss per share of HK\$0.02). 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 2020, 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  (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 under the brand of , accounted for approximately 60.1%, 23.9% and 16% of the Group’s total revenue respectively for the Period.

The outbreak of the COVID-19 pandemic brought much of the economic activities to a halt in the year 2020. To cope with the challenging situation, governments around the world provided financial reliefs to businesses and individual. In Hong Kong and Singapore, generous government subsidies were granted to lessen the Group’s financial burden. While in South Africa, the COVID-19 Term Loans were provided to our subsidiaries at concessionary interest rate.

Electronic Trading Business

Hong Kong

Electronic Trading Business remains the primary contributor to the Group’s revenue during the Period. It contributed revenue of approximately HK\$132 million as compared with approximately HK\$152 million recorded in the Corresponding Period. The worldwide outbreak of the COVID-19 has seriously impacted Electronic Trading Business in Hong Kong. Demands of electronic components were inevitably reduced as commercial activities were disrupted. In particular, purchase orders of customers from toy industries remarkably decreased.

Overseas

The aggregate revenue of all of the Group's overseas subsidiaries were approximately HK\$58 million, representing an overall decrease of approximately 14.7% as compared with that of approximately HK\$68 million recorded in the Corresponding Period.

The Group's subsidiaries in South Africa recorded a revenue of approximately HK\$45 million (Corresponding Period: approximately HK\$51 million), representing a decrease of approximately 11.8%. During the period under review, South Africa implemented one of the world's most stringent lockdown for around 50 days. One of our main subsidiaries in South Africa, was only able to operate at limited capacity during the lockdown. On the other hand, Swan Electrical (Pty) Limited and Switch Technique KZN Proprietary Limited, our subsidiaries engaging in electrical products distribution, which are considered as essential business, were exempted from the lockdown. Revenue from electrical products distribution recorded growth during the period under review despite overall revenue from South Africa decreased due to the lockdown.

In terms of geographical segments, revenue from Hong Kong, the Asia Pacific region (other than Hong Kong), South Africa, and other regions accounted for 59.2%, 18%, 20.5% and 2.3% respectively of the Group's total revenue during the Period.

Computer Business

The revenue of the Computer Retail Business for the Period was approximately HK\$14 million (Corresponding Period: approximately HK\$10 million), representing an increase of approximately 40%. The revenue of the Computer Distribution Business recorded approximately HK\$38 million (Corresponding Period: approximately HK\$36 million), representing an increase of approximately 5.6%. While the Period was challenging for other segments, the Computer Business recorded growth. Sales of computer products and accessories increased unexpectedly, attributed to the surge in demands as a result of the work-from-home arrangements and remote learning.

Cosmetic and Online Retail Business

The revenue of the Cosmetic and Online Retail Business dropped to approximately HK\$35 million or about 2.8% during the Period (Corresponding Period: approximately HK\$36 million). The Group has completed the restructuring and redeployed resources from physical retail stores to online retail stores. During the Period, the Group continued to closely cooperate with one of the leading online shopping platform selling wide range of products. The COVID-19 accelerated the growth of e-commerce. Revenue from Online Retail Business increased notably. On the contrary, revenue from physical retail stores was hit by the COVID-19. Overall, the segment recorded slight decrease in revenue as the loss of physical retail stores was partially offset by the growth of online stores.

OUTLOOK

Given the outbreak of COVID-19, a series of precautionary and control measures have been implemented, the economic activities have been seriously affected but gradually resuming in most countries. The Group will continue to closely monitor the development of COVID-19 and review our strategy to minimize the impact on the business. As the economic activities in South Africa are resuming, the Group is optimistic about the electronic business in South Africa. It is expected that the performance of South Africa subsidiaries will improve in the second half of the financial year.

Regarding the Computer Business, as the COVID-19 became under control, the precautionary measures and social distance restrictions are gradually loosening. The Group expects that the demand of computer products and accessories will return to normal condition. Nevertheless, the Group will continue to improve its marketing strategies to increase its market presence through social media network.

The Group is optimistic about the Cosmetic and Online Retail Business in the second half of the year ending 31 March 2021. The Group expects that the adverse impact of COVID-19 will be lessened and the consumer sentiment will gradually recover. In addition, with increasing popularity of online shopping, the Group will keep inputting resources in social media marketing for driving the sales.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2020, the Group's cash and cash equivalents amounted to approximately HK\$34 million and the net current assets were approximately HK\$117 million. As at 30 September 2020, the current ratio increased to approximately 1.8 (as at 31 March 2020: approximately 1.6). Out of the Group's cash and cash equivalents about 42.2% and 7.8% were denominated in Hong Kong dollars and Chinese Renminbi respectively. The balance of approximately 13.5%, 23.6%, 5.4%, 1.5%, 4.2% and 1.8% of its total cash and cash equivalents was denominated in United States dollars, South African Rand, Malaysia Ringgit, Singaporean dollars, Euro and other currencies, respectively.

The Group generally finances its operation by internally generated resources and banking facilities provided by banks. As at 30 September 2020, the Group had banking facilities for overdrafts, loans and trade finance from banks totaling approximately HK\$109 million (as at 31 March 2020: approximately HK\$104 million), with an unused balance of approximately HK\$40 million (as at 31 March 2020: approximately HK\$36 million). During the Period, the Group's borrowings bore interest at rates ranging from 2.2% to 7.25% per annum (as at 31 March 2020: ranging from 3.1% to 5.5% 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 2020, the Group's trade receivables decreased by about 2.0% to approximately HK\$50 million and the Group's trade payables decreased by about 6.5% to approximately HK\$29 million. In the meantime, the Group's inventories increased by about 3% to approximately HK\$171 million. The debtors turnover days, the creditors days and the inventory days for the Period were 42 days, 33 days and 188 days respectively (as at 31 March 2020: 39 days, 30 days and 169 days respectively). The Group recorded net operating cash inflow of approximately HK\$11 million and increased in bank borrowings of approximately HK\$2 million for the Period, compared with the net operating cash inflow of approximately HK\$3 million and decreased in bank borrowings of approximately HK\$0.5 million for the Corresponding Period.

CAPITAL STRUCTURE

As at 30 September 2020, the Group's gross borrowing repayable within one year, amounted to approximately HK\$97 million (as at 31 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\$63 million (as at 31 March 2020: approximately HK\$71 million). The total equity as at 30 September 2020 was approximately HK\$155 million (as at 31 March 2020: approximately HK\$141 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, decreased to 40.6% (as at 31 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 linking 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 30 September 2020, 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 2020, 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 30 September 2020.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 30 September 2020, the Group had a total of 388 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).

INTERIM DIVIDEND

By a Board resolution passed on 27 November 2020 (Friday), the Board had resolved to declare an interim dividend of HK\$0.005 per ordinary share for the six months ended 30 September 2020 (2019: HK\$0.005 per ordinary share). The interim dividend will be payable on 6 January 2021 (Wednesday) to shareholders whose names appear on the Register of Members of the Company as at 24 December 2020 (Thursday).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 22 December 2020 (Tuesday) to 24 December 2020 (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, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 21 December 2020 (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 (the "Code of Conduct") 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 2020. 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 2020.

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 Director 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 2020. The Audit Committee comprises three independent non-executive Director, 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
Mobicon Group Limited
Hung Kim Fung, Measure
Chairman

Hong Kong, 27 November 2020

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.