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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 2021**

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 2021 (the “Period”) together with comparative figures for the corresponding period in 2020. 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 2021

		Six months ended	
		30 September	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$’000	HK\$’000
Revenue	3	259,886	219,744
Cost of sales		(189,417)	(164,139)
Gross profit		70,469	55,605
Other income – net		1,075	7,339
Distribution and selling expenses		(18,524)	(16,541)
General and administrative expenses		(35,764)	(34,248)
Operating profit	4	17,256	12,155
Finance costs	5	(941)	(1,369)
Profit before income tax		16,315	10,786
Income tax expenses	6	(3,582)	(1,270)
Profit for the period		12,733	9,516
Profit attributable to:			
Equity holders of the Company		7,299	7,344
Non-controlling interests		5,434	2,172
		12,733	9,516
Earnings per share attributable to equity holders of the Company for the period			
– Basic and diluted (<i>HK cents</i>)	8	3.6	3.7

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 2021

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	<u>12,733</u>	<u>9,516</u>
Other comprehensive (expense)/income:		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences:		
– Subsidiaries	<u>(1,788)</u>	<u>5,195</u>
Other comprehensive (expense)/income for the period	<u>(1,788)</u>	<u>5,195</u>
Total comprehensive income for the period	<u>10,945</u>	<u>14,711</u>
Total comprehensive income attributable to:		
Equity holders of the Company	6,090	11,004
Non-controlling interests	<u>4,855</u>	<u>3,707</u>
	<u>10,945</u>	<u>14,711</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	<i>Notes</i>	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		28,611	29,107
Right-of-use assets		6,671	6,937
Intangible assets		95	92
Investment properties		4,581	4,623
Goodwill		–	–
Other receivables		2,352	2,688
		42,310	43,447
Current assets			
Inventories		173,917	186,590
Trade receivables	9	61,720	56,868
Other receivables and deposits		13,168	13,871
Current income tax recoverable		234	178
Cash and bank balances		35,135	33,525
		284,174	291,032
Total assets		326,484	334,479
Current liabilities			
Trade payables	10	30,023	40,985
Other payables and accruals		14,175	15,327
Contract liabilities	3(a)	811	1,294
Loan from a shareholder		29,000	25,000
Lease liabilities		4,700	4,188
Short-term bank borrowings		60,687	69,937
Current income tax liabilities		2,529	102
		141,925	156,833
Net current assets		142,249	134,199
Total assets less current liabilities		184,559	177,646
Non-current liabilities			
Deferred tax liabilities		1,289	1,646
Lease liabilities		2,645	3,125
		3,934	4,771
Net assets		180,625	172,875
Capital and reserves attributable to equity holders of the Company			
Share capital		20,000	20,000
Reserves		110,293	105,155
		130,293	125,155
Non-controlling interests		50,332	47,720
Total equity		180,625	172,875

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 2021 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 2021, 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 2021, 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 2021 for the Group:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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In addition, the Group has early applied the Amendment to HKFRS16 Covid-19-Related Concessions beyond 30 June 2021.

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.

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

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

The Group is in the process of assessing the potential impact of the new HKFRSs upon initial application but is not yet in a position to state whether the 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	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sales of electronic components, electrical components and equipment	193,312	132,022
Sales of computer products, mobile accessories and related service income	41,058	52,485
Sales of cosmetic products	25,516	35,237
	259,886	219,744

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; 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 – Trading, 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 2021 are as follows:

	Six months ended 30 September 2021				
	(Unaudited)				
	Electronic and Electrical Trading Business HK\$'000	Computer Business HK\$'000	Cosmetic and Online Retail Business HK\$'000	Unallocated HK\$'000	Group HK\$'000
Revenue	193,312	41,058	25,516	–	259,886
Time of revenue recognition					
– At a point in time	193,312	40,877	25,516	–	259,705
– Over time	–	181	–	–	181
	193,312	41,058	25,516	–	259,886
Segment results before finance costs	17,820	688	(1,228)	(24)	17,256
Finance costs	(769)	(103)	(69)	–	(941)
Profit before income tax					16,315
Income tax expenses (<i>Note 6</i>)					(3,582)
Profit for the period					12,733

The segment results for the period ended 30 September 2020 are as follows:

	Six months ended 30 September 2020 (Unaudited)				
	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>	Group <i>HK\$'000</i>
Revenue	<u>132,022</u>	<u>52,485</u>	<u>35,237</u>	<u>–</u>	<u>219,744</u>
Time of revenue recognition					
– At a point in time	132,022	51,416	35,237	–	218,675
– Over time	<u>–</u>	<u>1,069</u>	<u>–</u>	<u>–</u>	<u>1,069</u>
	<u>132,022</u>	<u>52,485</u>	<u>35,237</u>	<u>–</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>–</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 assets and liabilities as at 30 September 2021 and additions to non-current assets for the period then ended are as follows:

	Electronic and Electrical Trading Business (Unaudited) <i>HK\$'000</i>	Computer Business (Unaudited) <i>HK\$'000</i>	Cosmetic and Online Retail Business (Unaudited) <i>HK\$'000</i>	Unallocated (Unaudited) <i>HK\$'000</i>	Group (Unaudited) <i>HK\$'000</i>
Assets	<u>275,796</u>	<u>27,806</u>	<u>20,039</u>	<u>2,843</u>	<u>326,484</u>
Liabilities	<u>116,993</u>	<u>12,476</u>	<u>12,302</u>	<u>4,088</u>	<u>145,859</u>
Additions to non-current assets	<u>1,710</u>	<u>849</u>	<u>747</u>	<u>–</u>	<u>3,306</u>

The segment assets and liabilities as at 31 March 2021 and additions to non-current assets for the year then ended are as follows:

	Electronic and Electrical 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>282,005</u>	<u>27,560</u>	<u>21,399</u>	<u>3,515</u>	<u>334,479</u>
Liabilities	<u>131,726</u>	<u>12,961</u>	<u>12,829</u>	<u>4,088</u>	<u>161,604</u>
Additions to non-current assets	<u>1,456</u>	<u>1,565</u>	<u>2,321</u>	<u>–</u>	<u>5,342</u>

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

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Hong Kong (country of domicile)	114,386	129,979
Asia Pacific	64,006	39,569
South Africa	73,367	45,123
Europe	7,571	4,089
Other countries	556	984
	<u>259,886</u>	<u>219,744</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 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Contract liabilities related to sales of electronic components, electrical components and equipment	65	99
Contract liabilities related to sales of computer products, mobile accessories and service income	587	846
Contract liabilities related to sales of cosmetic products	159	349
	811	1,294

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

Revenue of approximately HK\$1,082,000 is recognized in relation to contract liabilities for the six months ended 30 September 2021 related to carried forward contract liabilities as at 1 April 2021.

4. **EXPENSES BY NATURE**

	Six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Cost of inventories expensed	189,417	164,139
Employee benefit expense	27,397	25,838
Amortization of intangible assets	21	16
Depreciation of right-of-use assets	2,878	4,568
Depreciation of owned property, plant and equipment	629	813
(Reversal of provision)/provision for slow-moving inventories (included in cost of sales)	(11)	584
Expenses related to short-term leases	3,408	3,903
Provision for impairment of trade receivables (included in general and administrative expenses)	343	232
Reversal of provision for impairment of trade receivables (included in general and administrative expenses)	(52)	(377)
Net foreign exchange losses/(gains) (included in general and administrative expenses)	162	(286)
Gain on disposal of property, plant and equipment (included in general and administrative expenses)	(11)	(1)

5. FINANCE COSTS

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expense on short-term bank loans	859	1,172
Interest expense on lease liabilities	82	197
	941	1,369

6. INCOME TAX EXPENSES

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 six months ended 30 September 2021. 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	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong Profits Tax	81	172
– Overseas taxation	3,848	1,564
	3,929	1,736
Deferred tax credit		
– Overseas taxation	(347)	(466)
Income tax expenses	3,582	1,270

The Company is exempted from taxation in Bermuda until 2035.

7. DIVIDENDS

At a meeting held on 25 November 2021, the directors of the Company declared an interim dividend of HK\$0.005 per ordinary share (2020: HK\$0.005 per ordinary share) for the six months ended 30 September 2021. This interim dividend has not been recognized as a liability at the reporting date. The interim dividend will be payable on 3 January 2022 to shareholders whose names appear on the Register of Members of the Company as at 22 December 2021.

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2021 is based on the Group's profit attributable to the equity holders of the Company of approximately HK\$7,299,000 (2020: HK\$7,344,000) and on the weighted average number of 200,000,000 ordinary shares (2020: 200,000,000 ordinary shares) in issue during the period.

No diluted earnings per share is presented as there were no potential dilutive ordinary shares in issue during the six months ended 30 September 2021 and 2020.

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 aging analysis of trade receivables, net of allowance for credit losses, presented based on due dates:

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
0 to 60 days	57,317	55,801
61 to 120 days	3,797	930
121 to 180 days	164	73
181 to 365 days	442	64
	61,720	56,868

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 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
0 to 60 days	24,205	33,650
61 to 120 days	3,022	3,551
121 to 180 days	1,159	2,550
181 to 365 days	1,637	1,234
	<u>30,023</u>	<u>40,985</u>

FINANCIAL RESULTS

The Group recorded a revenue of approximately HK\$260 million during the Period, representing an increase of approximately 18.2% as compared with the revenue of approximately HK\$220 million recorded in the six months ended 30 September 2020 (the “Corresponding Period”).

During the Period, the Group’s gross profit increased from approximately HK\$56 million recorded in the Corresponding Period by approximately 25% to approximately HK\$70 million and the gross profit margin increased to approximately 27.1% (Corresponding Period: approximately 25.3%). In terms of the three core business operations of the Group, gross profit margin of each of the distribution business of electronic components, electrical components and equipment under the brand of  (the “Electronic and Electrical Trading Business”), 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 the cosmetic and online retail business mainly under the brand of  (the “Cosmetic and Online Retail Business”) was approximately 28.4%, 23.2% and 23.4% respectively (Corresponding Period: approximately 26.5%, 22.1% and 25.8% respectively). The Group recorded other income of approximately HK\$1.1 million (Corresponding Period: approximately HK\$7.3 million). Other income recorded during the corresponding period was mainly attributed to the recognition of government grants of approximately HK\$6 million. The Group recorded operating profit of approximately HK\$17.3 million as compared with that of approximately HK\$12.2 million in the Corresponding Period. The total operating expenses for the Period was approximately HK\$54 million (Corresponding Period: approximately HK\$51 million).

The distribution and selling expenses of the Group for the Period were approximately HK\$19 million, representing an increase of approximately 11.8% from those of approximately HK\$17 million recorded in the Corresponding Period. The general and administrative expenses increased by about 5.9% or approximately HK\$2 million to approximately HK\$36 million for the Period from approximately HK\$34 million recorded in the Corresponding Period. Finance costs for the Period were approximately HK\$0.9 million, representing a decrease of approximately 35.7% (Corresponding Period: approximately HK\$1.4 million).

Accordingly, the profit attributable to the equity holders of the Company was approximately HK\$7.3 million (Corresponding Period: profit of approximately HK\$7.3 million), representing basic earnings per share of HK\$0.036 (Corresponding Period: basic profit per share of HK\$0.037). 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 2021, totaling HK\$1 million.

BUSINESS REVIEW

During the Period, the Group operated in three core business operations, namely: (1) the Electronic and Electrical Trading Business; (2) the Computer Business which includes the Computer Retail Business; and (ii) the Computer Distribution Business; and (3) the Cosmetic and Online Retail Business, accounted for approximately 74%, 16% and 10% of the Group's total revenue respectively for the Period.

Electronic and Electrical Trading Business

Hong Kong

Electronic and Electrical Trading Business is the primary contributor to the Group's revenue during the Period. It contributed revenue of approximately HK\$193 million as compared with that of approximately HK\$132 million recorded in the Corresponding Period, representing an increase of approximately 46.2%. During the Period, the global demand for electronic components has risen strongly. Manufacturers actively placed orders to maintain enough storage for future production as the lead time of electronic components was long.

Overseas

The aggregate revenue of all of the Group's overseas subsidiaries during the Period were approximately HK\$91 million, representing an overall increase of approximately 56.9% as compared with that of approximately HK\$58 million recorded in the Corresponding Period. The Group's subsidiaries in South Africa recorded a revenue of approximately HK\$75 million during the Period (Corresponding Period: approximately HK\$45 million), representing an increase of approximately 66.7%. In the Corresponding Period, the operation of our main subsidiary in South Africa was almost suspended for 2 months due to the outbreak of COVID-19 pandemic. Though the pandemic was still uncertain in South Africa, business activities gradually resumed as the restrictions imposed by the government were relaxed. Meanwhile, our electrical trading business in South Africa also recorded high growth since the new standard for circuit breaker has been boosting the demand for electrical components.

In terms of geographical segments, revenue from Hong Kong, South Africa, the Asia Pacific region and other regions accounted for 44%, 28%, 25% and 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\$10 million (Corresponding Period: approximately HK\$14 million), representing a decrease of approximately 28.6%. The revenue of the Computer Distribution Business recorded approximately HK\$31 million (Corresponding Period: approximately HK\$39 million), representing a decrease of approximately 20.5%. In the Corresponding Period, the demand for computer products and accessories surged due to work-from-home arrangement and distance-learning. As the COVID-19 pandemic has been gradually under control, the demand for computer products resumed to ordinary level.

Cosmetic and Online Retail Business

The revenue of the Cosmetic and Online Retail Business dropped to approximately HK\$26 million or about 25.7% during the Period (Corresponding Period: approximately HK\$35 million). Revenue from this segment continued to be hindered by the outbreak of COVID-19 pandemic. The imposition on the requirement for wearing masks weakened the demand for makeup cosmetic products. The social distance and gathering restrictions also led to low retail foot traffic in the city. Store sales were inevitably hit. As for the cosmetic online business, market competition became fierce since more retailers are turning to e-commerce. In response, we enhanced our products portfolio by focusing on high margin products.

OUTLOOK

The outbreak of COVID-19 pandemic, the increased demand for consumer electronics and the logistics bottleneck collectively led to the severe shortage of electronic components. It is expected that the supply-demand imbalance will persist until the third quarter of 2022. Our Group is particularly optimistic about the business in South Africa, so we will look for any investment opportunities to expand our business. Mantech Electronics (Proprietary) Limited (“Mantech”), one of our main subsidiaries in South Africa, has been increasing its inventory volume in past years. We believe the high inventory volume will be benefited from the continuously high demand for electronic components. In addition, Swan Electrical (Pty) Limited (“Swan”) and Switch Technique KZN Proprietary Limited (“Switch”), our subsidiaries in South Africa engaging in the electrical components trading business, are expected to be benefited from the adoption of the new standard for circuit breaker. Since the acquisition of Switch in 2019, Swan and Switch have been creating synergy and recording considerable growth. Both companies have established their reputation in the South Africa electrical industry.

Regarding the Computer Business, the Group expects that the demand for computer products and accessories will be stable, but the profit margin of flash memory products will be under pressure due to fierce competition. Nevertheless, our purchasing team will continue to source unique and special products to outcompete our competitors.

The Group expects that the cosmetic business will under pressure as the social distancing restriction and the ‘mask order’ are unlikely to be lifted shortly in Hong Kong. To confront the challenges, we closed a store located in Mong Kok in November 2021 and reallocated the resources to online business. The Group will also strive to improve the profit margin of cosmetic products by investing in exclusive distributorship products. We will continue to monitor the situation and tailor our strategies flexibly to achieve a turnaround.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2021, the Group’s cash and bank balances amounted to approximately HK\$35 million and the net current assets were approximately HK\$142 million. As at 30 September 2021, the current ratio increased to approximately 2 (as at 31 March 2021: approximately 1.9). Out of the Group’s cash and bank balances, about 30% and 34% were denominated in Hong Kong dollars and South African Rand respectively. The balance of approximately 19%, 8%, 5%, 2%, 1% and 1% of its total cash and bank balances was denominated in United States dollars, Chinese Renminbi, Malaysian Ringgit, Singaporean dollars, Euro and others respectively.

The Group generally finances its operation by internally generated resources and banking facilities provided by banks. As at 30 September 2021, the Group had banking facilities for overdrafts, loans and trade finance from banks totaling approximately HK\$104 million (as at 31 March 2021: approximately HK\$104 million), with an unused balance of approximately HK\$43 million (as at 31 March 2021: approximately HK\$34 million). During the Period, the Group’s borrowings bore interest at rates ranging from 2.1% to 7% per annum (as at 31 March 2021: ranging from 2.1% to 9% 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 2021, the Group's trade receivables increased by about 8.8% to approximately HK\$62 million and the Group's trade payables decreased by about 26.8% to approximately HK\$30 million. In the meantime, the Group's inventories decreased by about 7% to approximately HK\$174 million. The debtors turnover days, the creditors days and the inventory days for the Period were 42 days, 37 days and 174 days respectively (as at 31 March 2021: 43 days, 36 days and 185 days respectively). The Group recorded net operating cash inflow of approximately HK\$20 million and decreased in bank borrowings of approximately HK\$9 million for the Period, compared with the net operating cash inflow of approximately HK\$11 million and increased in bank borrowings of approximately HK\$2 million for the Corresponding Period.

CAPITAL STRUCTURE

As at 30 September 2021, the Group's gross borrowing repayable within one year, amounted to approximately HK\$90 million (as at 31 March 2021: approximately HK\$95 million). After deducting cash and cash equivalents of approximately HK\$35 million, the Group's net borrowings amounted to approximately HK\$55 million (as at 31 March 2021: approximately HK\$61 million). The total equity as at 30 September 2021 was approximately HK\$181 million (as at 31 March 2021: approximately HK\$173 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, decreased to 30.2% (as at 31 March 2021: 35.5%).

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 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 30 September 2021, the properties with carrying value of approximately HK\$13 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 2021.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 30 September 2021, 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 25 November 2021 (Thursday), the Board had resolved to declare an interim dividend of HK\$0.005 per ordinary share for the six months ended 30 September 2021 (2020: HK\$0.005 per ordinary share). The interim dividend will be payable on 3 January 2022 (Monday) to shareholders whose names appear on the Register of Members of the Company as at 22 December 2021 (Wednesday).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 20 December 2021 (Monday) to 22 December 2021 (Wednesday), 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 17 December 2021 (Friday).

DEALINGS IN COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed shares during the six months ended 30 September 2021. 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 2021.

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.

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.

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 2021. 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
Mobicon Group Limited
Hung Kim Fung, Measure
Chairman

Hong Kong, 25 November 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.