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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 2023**

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 2023 (the “Period”) together with comparative figures for the six months ended 30 September 2022 (the “Corresponding Period”). These unaudited interim results have not been audited by the Company’s auditor, but have been reviewed by the audit committee of the Company (the “Audit Committee”).

* For identification purposes only

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2023

		Six months ended 30 September	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	188,200	219,424
Cost of sales		<u>(135,802)</u>	<u>(161,156)</u>
Gross profit		52,398	58,268
Other income and net gains		2,244	4,975
Distribution and selling expenses		(14,944)	(17,049)
General and administrative expenses		<u>(33,543)</u>	<u>(37,763)</u>
Operating profit	4	6,155	8,431
Finance costs	5	<u>(2,147)</u>	<u>(1,393)</u>
Profit before income tax		4,008	7,038
Income tax expense	6	<u>(3,062)</u>	<u>(1,724)</u>
Profit for the period		<u>946</u>	<u>5,314</u>
(Loss)/profit attributable to:			
Equity holders of the Company		(2,289)	2,587
Non-controlling interests		<u>3,235</u>	<u>2,727</u>
		<u>946</u>	<u>5,314</u>
(Loss)/earnings per share attributable to the equity holders of the Company for the period			
– Basic and diluted (<i>HK cents</i>)	8	<u>(1.1)</u>	<u>1.3</u>

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	<u>946</u>	<u>5,314</u>
Other comprehensive expense:		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences:		
– Subsidiaries	<u>(6,030)</u>	<u>(21,776)</u>
Other comprehensive expense for the period, net of tax	<u>(6,030)</u>	<u>(21,776)</u>
Total comprehensive expense for the period	<u>(5,084)</u>	<u>(16,462)</u>
Total comprehensive (expense)/income attributable to:		
Equity holders of the Company	(5,940)	(9,821)
Non-controlling interests	<u>856</u>	<u>(6,641)</u>
	<u>(5,084)</u>	<u>(16,462)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		As at 30 September 2023 (Unaudited) <i>HK\$'000</i>	As at 31 March 2023 (Audited) <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		49,498	51,811
Right-of-use assets		5,128	8,468
Intangible assets		106	137
Investment properties		5,044	5,196
Goodwill	9	–	–
Prepayments and deposits		1,115	1,945
		60,891	67,557
Current assets			
Inventories		156,877	165,939
Trade receivables	10	37,856	38,119
Prepayments, deposits and other receivables		12,510	17,992
Current income tax recoverable		49	52
Cash and bank balances		24,592	30,434
		231,884	252,536
Total assets		292,775	320,093
Current liabilities			
Trade payables	11	25,172	30,232
Other payables and accruals		20,280	22,088
Contract liabilities	3(a)	1,469	1,023
Loan from a shareholder		32,500	31,000
Lease liabilities		4,033	5,107
Bank borrowings		33,538	44,804
Current income tax liabilities		1,579	629
		118,571	134,883
Net current assets		113,313	117,653
Total assets less current liabilities		174,204	185,210

	As at 30 September 2023 (Unaudited) <i>HK\$'000</i>	As at 31 March 2023 (Audited) <i>HK\$'000</i>
Non-current liabilities		
Other payables	1,596	2,669
Bank borrowings	3,505	4,820
Deferred tax liabilities	913	1,200
Lease liabilities	1,600	3,847
	<u>7,614</u>	<u>12,536</u>
Net assets	<u>166,590</u>	<u>172,674</u>
Capital and reserves attributable to the equity holders of the Company		
Share capital	20,000	20,000
Reserves	96,587	103,527
	<u>116,587</u>	<u>123,527</u>
Non-controlling interests	<u>50,003</u>	<u>49,147</u>
Total equity	<u>166,590</u>	<u>172,674</u>

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 2023 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 2023, 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 2023, 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 2023 for the Group:

HKFRS 17	<i>Insurance Contracts and related Amendments</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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 recognised during the period is as follows:

	Six months ended 30 September	
	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue		
Sales of electronic components, electrical components and equipment	124,179	149,790
Sales of computer products, mobile accessories and service income	36,576	41,592
Sales of cosmetic products	27,445	28,042
	<u>188,200</u>	<u>219,424</u>

The chief operating decision-maker has been identified as the executive directors of the Company (the “Executive Directors”). The Executive Directors have reviewed the Group’s internal reports in order to assess the performance and allocate resources; they have also determined the operating segments based on these reports. The Executive Directors have further considered the business from product perspective and have assessed the performance of three main business segments: (i) Electronic and Electrical Trading Business – Distribution of electronic components, electrical components and equipment; (ii) Computer Business – Retail sales of computer products, mobile accessories, distribution of computer products and provision of IT outsourcing and solution services; and (iii) Cosmetic and Online Retail Business – 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 2023 are as follows:

	Six months ended 30 September 2023 (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>	Total <i>HK\$'000</i>
Revenue from external customers	<u>124,179</u>	<u>36,576</u>	<u>27,445</u>	<u>188,200</u>
Time of revenue recognition				
– At a point in time	124,179	35,483	27,445	187,107
– Over time	<u>–</u>	<u>1,093</u>	<u>–</u>	<u>1,093</u>
	<u>124,179</u>	<u>36,576</u>	<u>27,445</u>	<u>188,200</u>
Segment results	6,224	(283)	218	6,159
Unallocated expenses				(4)
Finance costs				<u>(2,147)</u>
Profit before income tax				4,008
Income tax expense (<i>Note 6</i>)				<u>(3,062)</u>
Profit for the period				<u>946</u>

The segment results for the period ended 30 September 2022 are as follows:

	Six months ended 30 September 2022 (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>	Total <i>HK\$'000</i>
Revenue from external customers	<u>149,790</u>	<u>41,592</u>	<u>28,042</u>	<u>219,424</u>
Time of revenue recognition				
– At a point in time	149,790	41,015	28,042	218,847
– Over time	<u>–</u>	<u>577</u>	<u>–</u>	<u>577</u>
	<u>149,790</u>	<u>41,592</u>	<u>28,042</u>	<u>219,424</u>
Segment results	5,075	2,005	1,351	8,431
Finance costs				<u>(1,393)</u>
Profit before income tax				7,038
Income tax expense (<i>Note 6</i>)				<u>(1,724)</u>
Profit for the period				<u>5,314</u>

The segment assets and liabilities as at 30 September 2023 and additions to non-current assets for the six months ended 30 September 2023 are as follows:

	Electronic and Electrical Trading Business (Unaudited) HK\$'000	Computer Business (Unaudited) HK\$'000	Cosmetic and Online Retail Business (Unaudited) HK\$'000	Unallocated (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Assets	<u>257,138</u>	<u>18,700</u>	<u>15,439</u>	<u>1,498</u>	<u>292,775</u>
Liabilities	<u>107,351</u>	<u>7,585</u>	<u>7,158</u>	<u>4,091</u>	<u>126,185</u>
Additions to non-current assets	<u>797</u>	<u>45</u>	<u>164</u>	<u>–</u>	<u>1,006</u>

The segment assets and liabilities as at 31 March 2023 and additions to non-current assets for the year then ended are as follows:

	Electronic and Electrical Trading Business (Audited) HK\$'000	Computer Business (Audited) HK\$'000	Cosmetic and Online Retail Business (Audited) HK\$'000	Unallocated (Audited) HK\$'000	Total (Audited) HK\$'000
Assets	<u>277,461</u>	<u>22,602</u>	<u>17,862</u>	<u>2,168</u>	<u>320,093</u>
Liabilities	<u>122,908</u>	<u>10,567</u>	<u>9,858</u>	<u>4,086</u>	<u>147,419</u>
Additions to non-current assets	<u>21,675</u>	<u>2,766</u>	<u>1,843</u>	<u>–</u>	<u>26,284</u>

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

	Six months ended 30 September	
	2023	2022
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Revenue		
Hong Kong (country of domicile)	84,744	102,713
Asia Pacific	31,897	43,125
South Africa	67,331	68,743
Europe	4,146	3,929
Other countries	82	914
	188,200	219,424

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

(a) Contract liabilities

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

	As at 30 September 2023 (Unaudited) <i>HK\$'000</i>	As at 31 March 2023 (Audited) <i>HK\$'000</i>
Contract liabilities related to sales of electronic components, electrical components and equipment	516	143
Contract liabilities related to sales of computer products, mobile accessories and service income	952	880
Contract liabilities related to sales of cosmetic products	1	–
	1,469	1,023

The increase in contract liabilities in the current period was mainly due to the increase in advance payments from customers.

(b) Revenue recognised in relation to contract liabilities

Revenue of approximately HK\$652,000 (2022: approximately HK\$2,770,000) recognised in relation to contract liabilities for the six months ended 30 September 2023 related to carried forward contract liabilities at the beginning of the reporting period.

4. EXPENSES BY NATURE

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories expensed	130,454	156,916
Employee benefit expense	27,008	27,890
Amortisation of intangible assets	23	24
Depreciation of right-of-use assets	3,068	3,253
Depreciation of property, plant and equipment	700	751
(Reversal)/provision for impairment of slow-moving inventories (included in cost of sales)	(776)	2,165
Expenses related to short-term leases	3,709	3,474
Provision for impairment of trade receivables (included in general and administrative expenses)	566	555
Reversal of provision for impairment of trade receivables (included in general and administrative expenses)	(299)	(497)
Net foreign exchange losses (included in general and administrative expenses)	291	1,912
	<u>291</u>	<u>1,912</u>

5. FINANCE COSTS

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense on bank loans	1,823	1,102
Interest expense on lease liabilities	324	291
	<u>2,147</u>	<u>1,393</u>

6. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the six months ended 30 September 2023. Taxation on overseas profit has been calculated on the estimated assessable profit for both interim 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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong Profits Tax	123	234
– Overseas taxation	3,156	1,733
	<u>3,279</u>	<u>1,967</u>
Deferred tax credit		
– Overseas taxation	(217)	(243)
Income tax expense	<u>3,062</u>	<u>1,724</u>

The Company is exempted from taxation in Bermuda until 2035.

7. DIVIDENDS

At a meeting held on 24 November 2023, the directors of the Company declared an interim dividend of HK\$0.005 per ordinary share (2022: HK\$0.005 per ordinary share), totaling HK\$1,000,000 (2022: HK\$1,000,000) for the six months ended 30 September 2023. The interim dividend has not been recognised as a liability at the reporting date. The interim dividend will be payable on 22 December 2023 to shareholders whose names appear on the Register of Members of the Company as at 13 December 2023.

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the six months ended 30 September 2023 is based on the Group's loss attributable to equity holders of the Company of approximately HK\$2,289,000 and the calculation of basic earnings per share for the six months ended 30 September 2022 is based on the Group's profit attributable to equity holders of the Company of approximately HK\$2,587,000. The calculation was based on the weighted average number of 200,000,000 (2022: 200,000,000) ordinary shares in issue during the six months ended 30 September 2023.

No diluted (loss)/earnings per share is presented as there were no potential dilutive ordinary shares in issue during the six months ended 30 September 2023 and 2022.

9. GOODWILL

	As at	As at
	30 September	31 March
	2023	2023
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Cost	163	174
Accumulated impairment losses	(163)	(174)
	<u>–</u>	<u>–</u>

10. TRADE RECEIVABLES

The Group normally grants to its customers credit periods for sales of goods ranging from 7 to 90 days. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on due dates:

	As at 30 September 2023 (Unaudited) <i>HK\$'000</i>	As at 31 March 2023 (Audited) <i>HK\$'000</i>
0 to 60 days	34,963	34,836
61 to 120 days	2,028	2,652
121 to 180 days	727	186
181 to 365 days	138	445
	<u>37,856</u>	<u>38,119</u>

The maximum exposure to credit risk at the reporting date is the fair values of trade receivables. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. The Group does not hold any collateral as security in respect of its trade receivables.





11. TRADE PAYABLES

The aged analysis of trade payables presented based on the invoice date is as follows:

	As at 30 September 2023 (Unaudited) <i>HK\$'000</i>	As at 31 March 2023 (Audited) <i>HK\$'000</i>
0 to 60 days	21,447	21,437
61 to 120 days	2,170	5,478
121 to 180 days	1,306	1,732
181 to 365 days	249	1,585
	<u>25,172</u>	<u>30,232</u>

FINANCIAL RESULTS




The Group recorded a revenue of approximately HK\$188 million during the Period, representing a decrease of approximately 14.2% as compared with the revenue of approximately HK\$219 million recorded in the Corresponding Period.

During the Period, the Group's gross profit decreased from approximately HK\$58 million recorded in the Corresponding Period by approximately 10.3% to approximately HK\$52 million and the gross profit margin increased to approximately 27.8% (Corresponding Period: approximately 26.6%). In terms of the three core business operations of the Group, the gross profit margin 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" together with the Computer Retail Business, the "Computer Business") and the cosmetic and online retail business mainly under the brand of  (the "Cosmetic Business and Online Retail Business") were approximately 32%, 19.4% and 20.2%, respectively (Corresponding Period: approximately 28.3%, 21% and 25.3%) respectively. Other income recorded during the Period was approximately HK\$2.2 million (Corresponding Period: approximately HK\$5 million, which was mainly attributed to the recognition of government grants of approximately HK\$2.7 million). The Group recorded operating profit of approximately HK\$6.2 million for the Period as compared to that of HK\$8.4 million in the Corresponding Period. The total operating expenses for the Period was approximately HK\$49 million (Corresponding Period: approximately HK\$55 million).

The distribution and selling expenses of the Group for the Period were approximately HK\$15 million, representing a decrease of approximately 11.8% from those recorded in the Corresponding Period of approximately HK\$17 million. The general and administrative expenses decreased by approximately 10.5% or approximately HK\$4 million to approximately HK\$34 million for the Period from approximately HK\$38 million recorded in the Corresponding Period. Finance costs for the Period were approximately HK\$2.1 million, representing an increase of approximately 50% (Corresponding Period: approximately HK\$1.4 million).

Accordingly, the loss attributable to the equity holders of the Company for the period was approximately HK\$2.3 million (Corresponding Period: profit attributable to the equity holders of the Company approximately HK\$2.6 million), representing basic loss per share of HK\$0.011 (Corresponding Period: basic earnings per share of HK\$0.013). The Board has resolved to declare an interim dividend of HK0.5 cents per ordinary share (the Corresponding Period: HK0.5 cents per ordinary share) for the Period, 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 under the brand of ; (2) the Computer Business which includes (i) the Computer Retail Business under the brand of ; and (ii) the Computer Distribution Business; and (3) the Cosmetic Business and Online Retail Business under the brand of , accounted for approximately 66%, 19% and 15% of the Group's total revenue respectively for the Period.

Electronic and Electrical Trading Business

The Electronic and Electrical Trading Business is the primary contributor to the Group's revenue during the Period. It contributed revenue of approximately HK\$124 million as compared with approximately HK\$150 million recorded in the Corresponding Period, representing a decrease of approximately 17.3%. Under the combined influence of the shrinking demand for electronic components and the cautious consumption sentiment induced by global inflation, the trading business experienced a slower-than-expected recovery. Nevertheless, the Group is optimistic about the Electronic and Electrical Trading Business.

The aggregate revenue of all of the Group's overseas subsidiaries was approximately HK\$80 million, representing an overall decrease of approximately 11.1% as compared with that of approximately HK\$90 million recorded in the Corresponding Period. The revenue of the Group's subsidiaries located in South Africa was approximately HK\$67 million (Corresponding Period: approximately HK\$69 million), representing a decrease of approximately 2.9%. The strength of the United States dollars has led to the continuous weakening of the value of the South African currency. The Group is considering raising product prices in response to the continuous weakening of the value of the South African currency.

In terms of geographical segments, the revenue from Hong Kong, the Asia Pacific region (other than Hong Kong), South Africa, Europe and other regions accounted for approximately 45%, 17%, 35%, 2% and 1% 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\$7 million (Corresponding Period: approximately HK\$9 million), representing a decrease of approximately 22.2%. The revenue of the Computer Distribution Business recorded approximately HK\$30 million (Corresponding Period: approximately HK\$33 million), representing a decrease of approximately 9.1%. The reduction in the profit margin was mainly attributable to the short supply of flash memory and fierce market competition.

Cosmetic Business and Online Retail Business

The revenue of the Cosmetic Business and Online Retail Business decreased to approximately HK\$27 million or about 3.6% during the Period (Corresponding Period: approximately HK\$28 million). The Cosmetics Business faced challenges due to the conservative consumer sentiment and uncertain economic environment. Meanwhile, regarding the structural change in consumer purchasing behaviour, the Group is positive about the prospect of Online Retail Business.

OUTLOOK

The ongoing Russia-Ukraine War brings negative effects to the consumer electronics markets. The export trading business is facing significant pressure due to the combined effects of global inflation and high interest rates. The Group anticipates that the decrease in demand situation may improve at a slower pace during 2024.

In South Africa, the transition of new headquarters in early 2023 has increased the warehouse space and significantly improved our operational efficiency. The Group believes that the relocation of the new headquarters in South Africa is likely to increase the overall profitability of the Group.

Regarding the Computer Business, the Group remains committed to implementing dynamic sales strategies to counteract the situation where only the strongest retail stores survive.

The Group expects the performance of retail online business will continue to grow steadily. The Group will focus on sourcing high-quality Japanese products to improve the profit margin. Meanwhile, the Group will tailor our strategies flexibly in response to the weak sentiment in retail market.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2023, the Group's cash and bank balances amounted to approximately HK\$25 million and the net current assets were approximately HK\$113 million. As at 30 September 2023, the current ratio was approximately 2 (as at 31 March 2023: approximately 1.9). Out of the Group's cash and bank balances, about 31.3% and 19.7% were denominated in Hong Kong dollars and United States dollars, respectively. The balance of approximately 6.9%, 18.2%, 10.6%, 7.5%, 5.3% and 0.5% of its total cash and bank balances was denominated in Chinese Renminbi, South African Rand, Malaysia Ringgit, New Taiwan dollars, Singapore 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 2023, the Group had banking facilities for overdrafts, loans and trade finance from banks totaling approximately HK\$90 million (as at 31 March 2023: approximately HK\$91 million), with an unused balance of approximately HK\$53 million (as at 31 March 2023: approximately HK\$40 million). During the Period, the Group's borrowings bore interest rates ranging from 2.2% to 14.1% per annum (as at 31 March 2023: ranging from 2.8% to 11.3% 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 2023, the Group's trade receivables remained at approximately HK\$38 million and the Group's trade payables decreased by approximately 16.7% to approximately HK\$25 million. In the meantime, the Group's inventories decreased by approximately 5.4% to approximately HK\$157 million. The debtors turnover days, the creditors turnover days and the inventory days for the Period were 37 days, 40 days and 217 days, respectively (as at 31 March 2023: 43 days, 41 days and 213 days, respectively). The Group recorded net operating cash inflow of approximately HK\$14 million and decreased in bank borrowings of approximately HK\$13 million for the Period, compared with the net operating cash inflow of approximately HK\$15 million and decreased in bank borrowings of approximately HK\$4.6 million for the Corresponding Period.

CAPITAL STRUCTURE

As at 30 September 2023, the Group's gross borrowing repayable amounted to approximately HK\$70 million (as at 31 March 2023: approximately HK\$81 million). After deducting cash and cash equivalents of approximately HK\$25 million, the Group's net borrowings amounted to approximately HK\$45 million (as at 31 March 2023: approximately HK\$51 million). The total equity as at 30 September 2023 was approximately HK\$167 million (as at 31 March 2023: approximately HK\$173 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, decreased to 27% (as at 31 March 2023: 29%). The Group will continue to adopt a prudent financing and treasury policy in managing the Group's bank balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future business opportunities.

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 risks faced 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 2023, 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 2023, the properties and bank balances with carrying value of approximately HK\$20 million have been pledged to secure the general banking facilities granted to the Group's subsidiary in Singapore, Portugal and South Africa.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 September 2023.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 30 September 2023, the Group had a total of 367 full-time employees inclusive of its staff in Hong Kong and overseas subsidiaries. The Group has developed its human resources policies and procedures based on the performance, merits and market conditions. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance-based bonuses (based on the Group's financial results as well as individual performance).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 11 December 2023 (Monday) to 13 December 2023 (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, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 8 December 2023 (Friday).

DEALINGS IN COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the Period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has 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 B.2.2 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. None of the Directors of the Company, except Mr. Ip Fu Wa, Benthony who was appointed as an independent non-executive Director of the Company on 31 August 2022, was appointed for specific term. In addition, according to the Bye-laws of the Company, the Chairman and the 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 B.2.2 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 the 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 (the “Stock Exchange”) (the “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 the risk management, internal controls and financial reporting matters including the reviewing of the unaudited condensed consolidated financial statements for the Period with the Directors. The Audit Committee comprises three independent non-executive Directors, who currently are Dr. Leung Wai Cheung (Chairman), Mr. Ip Fu Wa, Benthony and Mr. Ku Wing Hong, Eric.

PUBLICATION OF FURTHER INFORMATION

This announcement is published on the websites of 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 despatched 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, 24 November 2023

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. Ip Fu Wa, Benthony, Dr. Leung Wai Cheung and Mr. Ku Wing Hong, Eric as independent non-executive Directors.