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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 2014

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 2014 (the “Period”) together with comparative figures for the corresponding period in 2013. These unaudited interim results have not been audited by the Company’s auditor, but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 September 2014

| | | Six months ended | |
|---|-------------|-------------------------|--------------------|
| | | 30 September | |
| | | 2014 | 2013 |
| | | (Unaudited) | (Unaudited) |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| Revenue | 3 | 342,346 | 309,827 |
| Cost of sales | | (273,480) | (253,448) |
| Gross profit | | 68,866 | 56,379 |
| Other income | | 1,025 | 1,587 |
| Distribution and selling expenses | | (22,025) | (19,197) |
| General and administrative expenses | | (38,651) | (29,970) |
| Operating profit | 4 | 9,215 | 8,799 |
| Finance costs | 5 | (889) | (536) |
| Share of profits of associates | | 137 | 188 |
| Profit before income tax | | 8,463 | 8,451 |
| Income tax expense | 6 | (3,239) | (2,605) |
| Profit for the period | | 5,224 | 5,846 |
| Profit attributable to: | | | |
| Equity holders of the Company | | 3,194 | 2,881 |
| Non-controlling interests | | 2,030 | 2,965 |
| | | 5,224 | 5,846 |
| Earnings per share for profit attributable to the equity holders of the Company during the period – Basic and diluted | 8 | HK1.6 cents | HK1.4 cents |

Details of dividends are disclosed in Note 7 to the interim results announcement.

* For identification purposes only

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 September 2014*

| | Six months ended | |
|--|-------------------------|----------------|
| | 30 September | |
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Profit for the period | <u>5,224</u> | <u>5,846</u> |
| Other comprehensive expense: | | |
| <i>Items that may reclassified to profit or loss</i> | | |
| Currency translation differences | <u>(1,756)</u> | <u>(3,288)</u> |
| Other comprehensive expense for the period, net of tax | <u>(1,756)</u> | <u>(3,288)</u> |
| Total comprehensive income for the period | <u>3,468</u> | <u>2,558</u> |
| Total comprehensive income attributable to: | | |
| Equity holders of the Company | 2,194 | 978 |
| Non-controlling interests | <u>1,274</u> | <u>1,580</u> |
| | <u>3,468</u> | <u>2,558</u> |

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

| | <i>Note</i> | As at 30 September 2014 (Unaudited) <i>HK\$'000</i> | As at 31 March 2014 (Audited) <i>HK\$'000</i> |
|---|-------------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | 21,965 | 26,351 |
| Investments in associates | | 154 | 17 |
| | | 22,119 | 26,368 |
| Current assets | | | |
| Inventories | | 216,175 | 181,132 |
| Trade receivables | 9 | 71,368 | 61,603 |
| Other receivables and deposits | | 12,937 | 14,014 |
| Current income tax recoverable | | 309 | 185 |
| Cash and bank balances | | 36,022 | 41,257 |
| | | 336,811 | 298,191 |
| Asset classified as held for sale | | 7,239 | – |
| | | 366,169 | 324,559 |
| Current liabilities | | | |
| Trade payables | 10 | 54,410 | 48,032 |
| Other payables | | 44,214 | 34,035 |
| Amounts due to associates | | 9 | 11 |
| Short-term bank loans | | 82,428 | 58,963 |
| Current income tax liabilities | | 1,778 | 1,088 |
| | | 182,839 | 142,129 |
| Net current assets | | 161,211 | 156,062 |
| Total assets less current liabilities | | 183,330 | 182,430 |
| Net assets | | 183,330 | 182,430 |
| Capital and reserves attributable to the equity holders of the Company | | | |
| Share capital | | 20,000 | 20,000 |
| Reserves | | 146,147 | 144,897 |
| | | 166,147 | 164,897 |
| Non-controlling interests | | 17,183 | 17,533 |
| Total equity | | 183,330 | 182,430 |

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 2014 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations).

2. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2014, as described in those annual financial statements.

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

New and amended standards adopted by the Group

The following new standard and amendment to standard are mandatory for the first time for the financial year beginning 1 April 2014 but do not have a material impact on the Group:

| | |
|---|---|
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments) | Investment Entities |
| HKAS 32 (Amendment) | Offsetting Financial Assets and Financial Liabilities |
| HKAS 36 (Amendment) | Recoverable Amount Disclosures for Non-Financial Assets |
| HKAS 39 (Amendment) | Novation of Derivatives and Continuation of Hedge Accounting |
| HK(IFRIC) – Int 21 | Levies |

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

3. REVENUE AND SEGMENT INFORMATION

Revenue recognized during the period is as follows:

| | Six months ended 30 September | |
|---|----------------------------------|---|
| | 2014 (Unaudited) HK\$’000 | 2013 (Unaudited) HK\$’000 (Restated) |
| Revenue | | |
| Sales of electronic components, automation parts and equipment | 237,680 | 235,266 |
| Sales of computer products and mobile accessories and related service income | 75,243 | 72,989 |
| Sales of health and beauty products | 29,423 | 1,572 |
| | <u>342,346</u> | <u>309,827</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. Upon the expansion of the trading of cosmetic retail business, the Executive Directors have further considered the business from product perspective and have assessed the performance of three main business segments: (i) Electronic Trading Business – Distribution of electronic components, automation parts and equipment; (ii) Computer Business – Retail sales of computer products and mobile accessories, distribution of computer products and provision of IT outsourcing and solution services and (iii) Cosmetic Retail Business – Retail sales of health and beauty products.

Certain comparative amounts have been reclassified and restated to conform with current period’s presentation as the Group changed the structure of its internal organization in a manner that causes the composition of its reportable segments to change by introducing an additional reportable operating segment regarding sales of health and beauty products during the period which was included in “Computer Business” in the revenue and segment information. Accordingly, segment information of Computer Business for the six months period ended 30 September 2013 and as of 31 March 2014 for comparative purposes have been restated and the segment information of the newly reportable segment - Cosmetic Retail Business for the six months period ended 30 September 2013 and as of 31 March 2014 for comparative purposes have been presented.

The Executive Directors have assessed the performance of the operating segments based on segment results before corporate expenses, finance costs and share of profits of associates.

The segment results for the period ended 30 September 2014 are as follows:

| | Six months ended 30 September 2014 (Unaudited) | | | | |
|---------------------------------|--|---|---|--------------------------------|--------------------------|
| | Electronic Trading Business <i>HK\$'000</i> | Computer Business <i>HK\$'000</i> | Cosmetic Retail Business <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Group <i>HK\$'000</i> |
| Revenue | 237,680 | 75,243 | 29,423 | – | 342,346 |
| Segment results | 9,289 | (1,201) | 1,243 | (116) | 9,215 |
| Interest expenses | – | – | – | (889) | (889) |
| Share of profits of associates | – | 137 | – | – | 137 |
| Profit before income tax | | | | | 8,463 |
| Income tax expense | | | | | (3,239) |
| Profit for the period | | | | | 5,224 |

The segment results for the period ended 30 September 2013 are as follows:

| | Six months ended 30 September 2013 (Unaudited) | | | | |
|---|--|---|---|--------------------------------|--------------------------|
| | Electronic Trading Business <i>HK\$'000</i> | Computer Business <i>HK\$'000</i> (Restated) | Cosmetic Retail Business <i>HK\$'000</i> (Restated) | Unallocated <i>HK\$'000</i> | Group <i>HK\$'000</i> |
| Revenue | 235,266 | 72,989 | 1,572 | – | 309,827 |
| Segment results | 9,062 | 329 | (123) | (469) | 8,799 |
| Interest expenses | – | – | – | (536) | (536) |
| Share of (losses)/profits of associates | (9) | 197 | – | – | 188 |
| Profit before income tax | | | | | 8,451 |
| Income tax expense | | | | | (2,605) |
| Profit for the period | | | | | 5,846 |

4. EXPENSES BY NATURE

| | Six months ended 30 September | |
|--|----------------------------------|--------------|
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Cost of inventories expensed | 273,480 | 253,448 |
| Employee benefit expense | 31,921 | 30,007 |
| Depreciation of owned property, plant and equipment | 2,451 | 1,104 |
| Provision for slow-moving inventories (included in cost of sales) | 629 | 2,467 |
| Operating lease rentals in respect of rented premises | 11,017 | 6,143 |
| Provision for impairment of trade receivables (included in general and administrative expenses) | 97 | 353 |
| Net foreign exchange gains | (1,244) | (176) |
| Loss/(gain) on disposal of property, plant and equipment | <u>10</u> | <u>(173)</u> |

5. FINANCE COSTS

| | Six months ended 30 September | |
|--|----------------------------------|-------------|
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Interest expense on short-term bank loans, wholly repayable within one year | <u>889</u> | <u>536</u> |

6. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

| | Six months ended 30 September | |
|-------------------------|----------------------------------|--------------|
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Current income tax | | |
| – Hong Kong Profits Tax | 325 | 442 |
| – Overseas taxation | <u>2,914</u> | <u>2,163</u> |
| Income tax expense | <u>3,239</u> | <u>2,605</u> |

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong Profits Tax rate as follows:

| | Six months ended | |
|---|-------------------------|--------------|
| | 30 September | |
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Profit before income tax | <u>8,463</u> | <u>8,451</u> |
| Tax calculated at Hong Kong Profits Tax rate of 16.5% (2013: 16.5%) | 1,396 | 1,394 |
| Effect of different tax rates of subsidiaries operating in other countries | 1,057 | 865 |
| Income not taxable for tax purpose | (69) | (160) |
| Expenses not-deductible for tax purposes | 500 | 282 |
| Others | <u>355</u> | <u>224</u> |
| Income tax expense | <u>3,239</u> | <u>2,605</u> |

The Company is exempted from taxation in Bermuda until 2035.

Mobicon Electronic Trading (Shenzhen) Limited ("MET"), being a foreign investment enterprise established in the free trade zone of Futian, Shenzhen, People's Republic of China ("PRC"), and with a financial year end date falling on 31 December, is subject to PRC enterprise income tax at the rate of 25%. No provision for PRC enterprise income tax has been made as MET is still in a tax loss position.

7. DIVIDENDS

At a meeting held on 24 November 2014, the directors of the Company declared an interim dividend of HK\$0.005 per ordinary share (2013: HK\$0.005 per ordinary share) for the six months ended 30 September 2014. This interim dividend has not been recognized as a liability at the date of this announcement. The interim dividend will be payable on 22 December 2014 to shareholders whose names appear on the Register of Members of the Company as at 11 December 2014.

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2014 is based on the Group's profit attributable to the equity holders of the Company of approximately HK\$3,194,000 (2013: HK\$2,881,000) and on the weighted average number of 200,000,000 ordinary shares (2013: 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 2014 and 2013.

9. TRADE RECEIVABLES

The Group normally grants to its customers credit periods for sales of goods ranging from 7 to 90 days. The aging analysis of trade receivables based on invoice date is as follows:

| | As at 30 September 2014 (Unaudited) HK\$'000 | As at 31 March 2014 (Audited) HK\$'000 |
|---|---|---|
| 0 to 60 days | 67,924 | 58,417 |
| 61 to 120 days | 1,282 | 1,017 |
| 121 to 180 days | 1,985 | 2,052 |
| 181 to 365 days | 1,012 | 996 |
| | <hr/> | <hr/> |
| Trade receivables | 72,203 | 62,482 |
| Less: Provision for impairment of trade receivables | (835) | (879) |
| | <hr/> | <hr/> |
| | 71,368 | 61,603 |

The maximum exposure to credit risk at the date of this announcement is the carrying amount of trade receivables. The Group does not hold any collateral as security in respect of its trade receivables.




10. TRADE PAYABLES

The aging analysis of trade payables is as follows:

| | As at 30 September 2014 (Unaudited) HK\$'000 | As at 31 March 2014 (Audited) HK\$'000 |
|-----------------|---|---|
| 0 to 60 days | 52,896 | 45,145 |
| 61 to 120 days | 337 | 1,436 |
| 121 to 180 days | 85 | 415 |
| 181 to 365 days | 1,092 | 1,036 |
| | <hr/> | <hr/> |
| | 54,410 | 48,032 |

FINANCIAL RESULTS

The Group recorded a turnover of approximately HK\$342 million during the Period, representing an increase of approximately 10% as compared with the turnover of approximately HK\$310 million recorded in the six months ended 30 September 2013 (the “Corresponding Period”). The Group’s cosmetic retail business (the “Cosmetic Retail Business”) recorded a significant growth in turnover to approximately HK\$29 million (Corresponding Period: approximately HK\$1.6 million) of over 18 times and became one of the core revenue drivers during the Period.




During the Period, the Group’s gross profit increased from approximately HK\$56 million recorded in the Corresponding Period by approximately 23% to approximately HK\$69 million and the gross profit margin slightly increased to approximately 20.1% (Corresponding Period: approximately 18.2%). By analysing the three core business operations of the Group, the 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  (the “Computer Business”) and the Cosmetic Retail Business  were approximately 19.1%, 16.9% and 36.2% (Corresponding Period: approximately 19.0%, 15.2% and 37.8%) respectively. The Group recorded operating profit of approximately HK\$9.2 million as compared with that of approximately HK\$8.8 million recorded in the Corresponding Period, representing a moderate increase of 4.5%. The total operating expenses for the Period increased by approximately 24.5% and reached approximately HK\$61 million (Corresponding Period: approximately HK\$49 million). Such significant increment was substantially attributed by the rapid continuous expansion of the cosmetic retail outlets coverage according to the marketing strategy of the Group.

The distribution and selling expenses for the Period were approximately HK\$22 million, representing an increase of 16% from those of approximately HK\$19 million recorded in the Corresponding Period. The general and administrative expenses increased by about 30% or approximately HK\$9 million to approximately HK\$39 million for the Period from those of approximately HK\$30 million recorded in the Corresponding Period. Finance costs for the Period increased to approximately HK\$0.9 million (Corresponding Period: approximately HK\$0.5 million), representing an increase of 80% over the Corresponding Period.

Accordingly, the profit attributable to the equity holders of the Company increased by approximately 10% to approximately HK\$3.2 million (Corresponding Period: approximately HK\$2.9 million), representing basic earnings per share of HK\$0.016 (Corresponding Period: HK\$0.014). 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 2014, totaling HK\$1 million.

BUSINESS REVIEW

By means of the Group’s commitment on the development of the cosmetic retail networks, the Cosmetic Retail Business posted turnover growth with strong momentum and became one of Group’s core business operations during the Period.

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 Retail Business . The Electronic Trading Business, the Computer Business and the Cosmetic Retail Business accounted for approximately 70% and 22% and 8% of the Group’s total turnover respectively for the Period.

Electronic Trading Business

Hong Kong

Electronic Trading Business remained the primary contributor to the Group's turnover and profits during the Period and showed steady turnover of approximately HK\$238 million as compared with that of approximately HK\$235 million recorded in the Corresponding Period or grew by about 1%.

During the Period, purchasing managers worldwide inclined to take a relatively conservative approach and resulted in lower purchasing power as evidenced by benchmark indexes. The call for quantitative easing has been growing especially louder in the past few months in the Eurozone mainly due to signs of deflation. Whilst there was no significant change in the profitability measures of the Group's electronic products, its sales growth was constrained by weakening Eurozone demand, offsetting its steady results in the Asia-Pacific and US markets.

Overseas

The aggregate turnover of all of the Group's overseas subsidiaries was approximately HK\$60 million, representing an overall increase of approximately 5% as compared with that of approximately HK\$57 million recorded in the Corresponding Period.

South African Rand slumped against strong Hong Kong dollar by about 8% as compared with that of quoted in the Corresponding Period and faces further downside pressure. Market expectations on higher federal benchmark rates are burdening the currencies in developing economies. However, the turnover generated by the Group's South Africa subsidiary surged about 11% and reached approximately HK\$41 million during the Period (Corresponding Period: approximately HK\$37 million) and outpaced the weakened currency impact. Such increase was mainly attributable to the newly acquired South Africa businesses operated by Suntronika (Proprietary) Limited ("Suntronika") and AP Electronics (Proprietary) Limited ("AP Electronics Pty") in South Africa.

The turnover of the Group's subsidiary in Malaysia recorded a significant drop of approximately 14% to approximately HK\$6 million during the Period as compared with that of approximately HK\$7 million during the Corresponding Period. The main reason for the drop was the weakening Eurozone demand in electronic products.

In terms of geographical segments, the turnover from Hong Kong, the Asia-Pacific region (other than Hong Kong), South Africa, Europe and other regions accounted for 61%, 25%, 12%, 1% and 1% respectively of the Group's total turnover during the Period.

Computer Business



Computer Retail Business


The turnover of the Computer Retail Business rose to approximately HK\$22 million by about 22% during the Period (Corresponding Period: approximately HK\$18 million). During the Period, the Group gradually expanded its retail outlets in a disciplinary manner and recorded increments in associated operating overheads in line with the turnover. The Group had managed its rental cost prudently and enhanced its operating efficiency to ensure the designated profit margin was achieved.

Computer Distribution Business

The turnover of the Computer Distribution Business recorded a decline of about 2% to approximately HK\$54 million (Corresponding Period of approximately HK\$55 million). The drop was attributable to the weakened demand in computer and mobile accessories (such as, the media player and mobile battery charger), the absence of new products and the competitive pressure from peers.

Cosmetic Retail Business

The Group's Cosmetic Retail Business recorded a significant growth of over 18 times in term of turnover as compared with that of recorded in the Corresponding Period and became one of the core revenue drivers during the Period. The Group has adopted a market-driven and customer-focused approach in expanding its retail store chain network and formulating its product selling strategies. As at 30 September 2014, Videocom Technology (HK) Limited ("Videocom") has expanded to 19  retail stores Corresponding Period: 3  stores) with 90% product coverage comprising of over 100 Korean cosmetic brands. Over the past few months, the Group devoted considerable resources to cope with its ongoing development in its cosmetic retail store chain network. The Group focused on opening new stores in Kowloon and New Territories in response to anticipated demand from cross-border Mainland tourists and certain residential districts.

The Group assigns management team led by Mr. Hung Ying Fung and Ms. Hung Lok Lam, Joyce for store operation and product management function. Mr. Hung, the director of the Videocom, worked closely with landlords to identify feasible vacancies in shopping malls during the course of retail network expansion. Ms. Joyce Hung, the Business Development Manager of the Videocom, was responsible for merchandising and marketing wide range of products for the customers of the Group. Both Mr. Hung and Ms. Joyce Hung had also actively participated in the Group's successful launching of first  cosmetic retail shop in July 2013.

OUTLOOK

The Group has been pursuing growth opportunities by diversifying its business into the domestic Cosmetic Retail Business. Looking forward, the Group will shift its prime focus on the Cosmetic Retail Business to achieve synergies from other existing businesses. Together with its knowledge and expertise in retailing and wholesale logistics, the Group believes the purchase power of Mainland tourists and potential in feminine market segment would constitute another identifiable income stream to the shareholders.

The Group expects to open up to 28 cosmetic retail stores and extend its coverage in Korean cosmetic products by the end of this financial year to boost its market share in the cosmetic retail industry in Hong Kong. The Group will also attend cosmetic and beauty exhibitions held in Korea in a quarterly basis for new products development and sourcing. Ms. Joyce Hung, the second generation of the senior management team, will be responsible for overseeing the Group's management and development in the Cosmetic Retail Business.

With regard to the Electronic Business, the Group anticipates that the solid customer base and diversified product lines from Suntronika and AP Electronic Pty can contribute sustainable revenue stream to the Group for the near future. To overcome the fluctuating economy, the Group has planned to implement certain cost saving measures including downsizing its Philippine and China office. In addition, the Group closely monitors its operating expenditures and will ensure that the effective cost control is implemented in other regions to maximize overall profitability to the shareholders.

In addition, the Group seeks to continue its Electronic Business in a disciplinary manner through participating in reputable industry exhibitions including electronicAsia, Taipei Taitronics and electronica Munich 2014. Through these events, the Group will maintain close relationships with vendors and explore new business opportunities as well as to gain insights on industrial trends and new products.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2014, the Group's cash and bank balances amounted to approximately HK\$36 million and the net current assets were approximately HK\$161 million. As at 30 September 2014, the current ratio dropped to approximately 1.88 (as at 31 March 2014:

approximately 2.1). Out of the Group's cash and bank balances, about 35% and 21% were denominated in Hong Kong dollars and United States dollars respectively. The balance of approximately 21%, 14%, 6%, 2%, and 1% of its total cash and bank balances was denominated in Chinese Renminbi, South African Rand, Malaysia Ringgit, Singaporean dollars and New Taiwan dollars respectively.

The Group generally finances its operation by internally generated resources and banking facilities provided by banks in Hong Kong. As at 30 September 2014, the Group had banking facilities for overdrafts, loans and trade finance from banks totaling approximately HK\$109 million (as at 31 March 2014: approximately HK\$88 million), with an unused balance of approximately HK\$27 million (as at 31 March 2014: approximately HK\$29 million). During the Period, the Group's borrowings bore interest at rates ranging from 2.21% to 3.06% per annum (as at 31 March 2014: ranging from 2.21% to 2.96% 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 2014, the Group's trade receivables increased by 15% to HK\$71 million whilst the Group's trade payables increased by 13% to HK\$54 million. In the meantime, the Group's inventories increased by about 19% to approximately HK\$216 million. The increase in the trade receivables was in line with the traditional trend of stronger sale performance in the third quarter as compared with that in the first quarter of each calendar year, which gave a higher trade receivables balance as at 30 September 2014. The debtors turnover days, the creditors turnover days and the inventory turnover days for the Period were 35 days, 30 days and 133 days respectively (as at 31 March 2014: 38 days, 30 days and 128 days respectively). The Group recorded net operating cash outflow of HK\$18,120,000 and increased in bank borrowings of HK\$23,465,000 for the Period, compared with the net operating cash inflow of HK\$7,912,000 and increased in bank borrowings of HK\$3,170,000 for the Corresponding Period.

CAPITAL STRUCTURE

As at 30 September 2014, the Group's gross borrowing repayable within one year, amounted to approximately HK\$82 million (as at 31 March 2014: approximately HK\$59 million). After deducting cash and cash equivalents of approximately HK\$36 million, the Group's net borrowings amounted to approximately HK\$46 million (as at 31 March 2014: approximately HK\$18 million). The total equity as at 30 September 2014 was approximately HK\$183 million (as at 31 March 2014: approximately HK\$182 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, increased to 25.1% (as at 31 March 2014: 9.9%). The increase of net gearing ratio was mainly due to the increase of bank borrowings in relation to the increase of working capital required to support the development for the Cosmetic Retail Business.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the Group's transactions were denominated in Hong Kong dollars, Chinese Renminbi and United States dollars. Given that the exchange rate of Hong Kong dollars against Chinese Renminbi has been and is likely to be under control and that the Hong Kong Government's policy of pegging the Hong Kong dollars to the United States dollars remains in effect, the Directors consider that the risk facing by the Group on foreign exchange will remain minimal and no hedging or other alternative measures have been undertaken by the Group. As at 30 September 2014, 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 2014, the properties with carrying value of approximately HK\$12 million have been pledged to secure the general banking facilities granted to the Group's subsidiary in Singapore.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2014, the Group had total outstanding operating lease commitments of approximately HK\$48 million (as at 31 March 2014: HK\$43 million). In view of the Group's high level of liquid funds, it is expected that the Group will be able to fulfill all these commitments without any difficulty. The Group had no contingent liabilities as at 30 September 2014.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 30 September 2014, the Group had a total of 454 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

The Board has resolved to declare an interim dividend of HK\$0.005 per ordinary share for the six months ended 30 September 2014 (2013: HK\$0.005 per ordinary share). The interim dividend will be payable on 22 December 2014 (Monday) to shareholders whose names appear on the Register of Members of the Company as at 11 December 2014 (Thursday).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 9 December 2014 (Tuesday) to 11 December 2014 (Thursday), both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at its office situated at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 8 December 2014 (Monday).

DEALINGS IN COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed shares during the six months ended 30 September 2014. 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 2014.

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:

- (i) 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 on terms no less exacting than the required standard set out in the Model Code under Appendix 10 to 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 with the directors about the internal controls and financial reporting matters including the reviewing of the unaudited condensed consolidated financial statements for the six months ended 30 September 2014. 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.

PULICATION 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) on or before 31 December 2014 (Wednesday).

APPRECIATION

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

By order of the Board
Hung Kim Fung, Measure
Chairman

Hong Kong, 24 November 2014

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, Mr. Yeung Kwok Leung, Allix and Mr. Manuel Arnaldo de Sousa Moutinho as executive Directors and Mr. Charles E. Chapman, Dr. Leung Wai Cheung and Mr. Ku Wing Hong, Eric as independent non-executive Directors.