SINCE 1983

MOBICON GROUP LIMITED
萬保剛集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1213)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

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 2017 (the "Period") together with comparative figures for the corresponding period in 2016. 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 2017

		Six months ended 30 September	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**283,786**	345,854
Cost of sales		**(220,363)**	(265,765)
Gross profit		**63,423**	80,089
Other income, gains and losses		**3,271**	9,118
Distribution and selling expenses		**(23,031)**	(26,978)
General and administrative expenses		**(45,033)**	(49,383)
Operating (loss)/profit	*4*	**(1,370)**	12,846
Finance costs	*5*	**(1,169)**	(1,263)
(Loss)/profit before income tax		**(2,539)**	11,583
Income tax expense	*6*	**(2,560)**	(2,776)
(Loss)/profit for the period		**(5,099)**	8,807
(Loss)/profit attributable to:			
Equity holders of the Company		**(8,240)**	6,536
Non-controlling interests		**3,141**	2,271
		(5,099)	8,807
(Loss)/earnings per share attributable to the equity holders of the Company during the period – Basic and diluted	*8*	**(HK cents 4.1)**	HK cents 3.3

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 2017

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(5,099)**	8,807
Other comprehensive (expense)/income:		
Item that may be reclassified subsequently to profit or loss		
Currency translation differences:		
– Subsidiaries	**(492)**	3,172
Other comprehensive (expense)/income for the period, net of tax	**(492)**	3,172
Total comprehensive (expense)/income for the period	**(5,591)**	11,979
Total comprehensive (expense)/income attributable to:		
Equity holders of the Company	**(7,886)**	8,588
Non-controlling interests	**2,295**	3,391
	(5,591)	11,979

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2017

	Note	**As at 30 September 2017 (Unaudited)** *HK$'000*	As at 31 March 2017 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**17,345**	18,461
Other receivables		**4,704**	5,376
		22,049	23,837
Current assets			
Inventories		**168,966**	179,548
Trade receivables	*9*	**57,046**	47,078
Other receivables and deposits		**20,277**	19,693
Current income tax recoverable		**615**	1,134
Cash and bank balances		**42,419**	45,738
		289,323	293,191
Total assets		**311,372**	317,028
Current liabilities			
Trade payables	*10*	**30,169**	31,627
Other payables and accruals		**13,848**	23,741
Finance lease liabilities		**13**	13
Short-term bank loans		**92,322**	80,200
Current income tax liabilities		**441**	274
		136,793	135,855
Net current assets		**152,530**	157,336
Total assets less current liabilities		**174,579**	181,173
Non-current liabilities			
Finance lease liabilities		**49**	52
		49	52
Net assets		**174,530**	181,121
Capital and reserves attributable to the equity holders of the Company			
Share capital		**20,000**	20,000
Reserves		**129,820**	138,706
		149,820	158,706
Non-controlling interests		**24,710**	22,415
Total equity		**174,530**	181,121

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 2017 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 2017, 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 2017, 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 the expected total annual earnings.

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2017 but do not have a material impact on the Group:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized Losses
Amendments to HKFRSs	Annual Improvement to HKFRSs 2014-2016 Cycle

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

(b) The following new standards and amendments have been issued but are not effective for the financial year beginning 1 April 2017 and have not been early adopted:

Amendments to HKFRS 10 and HKAS 28 (2011)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2014-2016 Cycle[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"[2]
Amendments to HKAS 40	Transfers of Investment Property[2]

[1] Effective for annual periods beginning on or after a date to be determined.

[2] Effective for annual periods beginning on or after 1 January 2018.

[3] Effective for annual periods beginning on or after 1 January 2019.

The Group is in the process of assessing the potential impact of the above new HKFRSs upon initial application but is not yet in a position to state whether the above new HKFRSs will have a significant impact on the Group's and the Company's results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

Revenue recognized during the six months ended 30 September 2017 and 2016 are as follows:

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sales of electronic components, automation parts and equipment	**165,633**	202,762
Sales of computer products and mobile accessories and related service income	**56,292**	52,057
Sales of cosmetic and beauty products, housewares and groceries	**61,861**	91,035
	283,786	345,854

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

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

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

	Six months ended 30 September 2017 (Unaudited)				
	Electronic Trading Business	**Computer Business**	**Cosmetic Retail and Online Retail Business**	**Unallocated**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**165,633**	**56,292**	**61,861**	**–**	**283,786**
Segment results before finance costs	**6,049**	**807**	**(8,154)**	**(72)**	**(1,370)**
Finance costs	**(844)**	**–**	**(325)**	**–**	**(1,169)**
Segment results	**5,205**	**807**	**(8,479)**	**(72)**	**(2,539)**
Income tax expense					**(2,560)**
Loss for the period					**(5,099)**

The segment results for the six months ended 30 September 2016 are as follows:

	Six months ended 30 September 2016 (Unaudited)				
	Electronic Trading Business *HK$'000*	Computer Business *HK$'000*	Cosmetic Retail and Online Retail Business *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Revenue	202,762	52,057	91,035	–	345,854
Segment results before finance costs	10,081	(139)	(3,580)	6,484	12,846
Finance costs**	(927)	–	(336)	–	(1,263)
Segment results	9,154	(139)	(3,916)	6,484	11,583
Income tax expense					(2,776)
Profit for the period					8,807

The segment assets and liabilities as at 30 September 2017 and additions to non-current assets for the period then ended are as follows:

	Electronic Trading Business *HK$'000*	**Computer Business** *HK$'000*	**Cosmetic Retail and Online Retail Business** *HK$'000*	**Unallocated** *HK$'000*	**Group** *HK$'000*
Assets	**235,585**	**29,250**	**40,459**	**6,078**	**311,372**
Liabilities	**100,873**	**8,020**	**25,707**	**2,242**	**136,842**
Additions to non-current assets	**426**	**285**	**179**	**–**	**890**

The segment assets and liabilities as at 31 March 2017 and additions to non-current assets for the year then ended are as follows:

	Electronic Trading Business *HK$'000*	Computer Business *HK$'000*	Cosmetic Retail and Online Retail Business *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Assets	232,539	27,671	49,548	7,270	317,028
Liabilities	94,054	6,165	33,614	2,074	135,907
Additions to non-current assets	2,672	303	1,954	–	4,929

** *Certain comparative figures have been reclassified to conform to current period's presentation.*

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

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Hong Kong (country of domicile)	**201,082**	237,872
Asia Pacific	**41,024**	69,557
South Africa	**39,151**	34,614
Europe	**755**	807
Other countries	**1,774**	3,004
	283,786	345,854

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

4. EXPENSES BY NATURE

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories expensed	**220,363**	265,765
Employee benefit expense	**30,101**	33,558
Depreciation of property, plant and equipment	**2,242**	3,419
(Reversal of provision)/provision for slow-moving inventories (included in cost of sales)	**(440)**	1,382
Operating lease rentals in respect of rented premises	**20,001**	22,086
(Reversal of provision)/provision for impairment of trade receivables (included in general and administrative expenses)	**(13)**	202
Net foreign exchange gains (included in general and administrative expenses)	**(466)**	(209)
Losses on disposal of property, plant and equipment (included in general and administrative expenses)	**3**	1

5. FINANCE COSTS

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expense on short-term bank loans	**1,168**	1,263
Finance lease charges	**1**	–
	1,169	1,263

6. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong Profits Tax	**168**	131
– Overseas taxation	**2,392**	2,645
Income tax expense	**2,560**	2,776

The Company is exempted from taxation in Bermuda until 2035.

7. DIVIDENDS

At a meeting held on 22 November 2017, the directors of the Company declared an interim dividend of HK$0.005 per ordinary share (2016: HK$0.005 per ordinary share) for the six months ended 30 September 2017. This interim dividend has not been recognized as a liability at the reporting date. The interim dividend will be payable on 19 December 2017 to shareholders whose names appear on the Register of Members of the Company as at 8 December 2017.

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the six months ended 30 September 2017 is based on the Group's loss attributable to the equity holders of the Company of approximately HK$8,240,000 (2016: profit of approximately HK$6,536,000) and on the weighted average number of 200,000,000 ordinary shares (2016: 200,000,000 ordinary shares) in issue during the period.

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 2017 and 2016.

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, net of allowance for doubtful debts, is as follows:

	As at 30 September 2017 (Unaudited) ***HK$'000***	As at 31 March 2017 (Audited) *HK$'000*
0 to 60 days	**55,284**	46,109
61 to 120 days	**1,150**	717
121 to 180 days	**166**	54
181 to 365 days	**446**	198
Trade receivables	**57,046**	47,078

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

10. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	As at 30 September 2017 (Unaudited)	As at 31 March 2017 (Audited)
	HK$'000	*HK$'000*
0 to 60 days	**29,220**	30,723
61 to 120 days	**88**	146
121 to 180 days	**442**	575
181 to 365 days	**419**	183
Trade payables	**30,169**	31,627

FINANCIAL RESULTS

The Group recorded a revenue of approximately HK$284 million during the Period, representing a decrease of approximately 17.9% as compared with the revenue of approximately HK$346 million recorded in the six months ended 30 September 2016 (the "Corresponding Period"). The decrease was attributed to the decrease in sales of the Group's Electronic Trading Business and Cosmetic Retail and Online Retail Business (as defined below) during the Period.

During the Period, the Group's gross profit decreased from approximately HK$80 million recorded in the Corresponding Period by approximately 21.3% to approximately HK$63 million and the gross profit margin slightly decreased to approximately 22.3% (Corresponding Period: approximately 23.2%). In terms of the three core business operations of the Group, gross profit margin of the distribution business of electronic components, automation parts and equipment under the brand of MOBICON (the "Electronic Trading Business"), the computer business under the brand of VideoCom (the "Computer Business") and the cosmetic retail and online retail business under the brand of wishh! (the "Cosmetic Retail and Online Retail Business") were approximately 21.4%, 17.2% and 29.6% (Corresponding Period: approximately 19.1%, 21.7% and 32.9%) respectively. The Group recorded operating loss of approximately HK$1.4 million during the Period as compared with that of profit of approximately HK$12.8 million in the Corresponding Period. The total operating expenses for the Period decreased by approximately 10.5% to approximately HK$68 million (Corresponding Period: approximately HK$76 million).

The distribution and selling expenses of the Group for the Period were approximately HK$23 million, representing a decrease of approximately 14.8% from those recorded in the Corresponding Period of approximately HK$27 million. The general and administrative expenses decreased by about 8.9% or approximately HK$4.4 million to approximately HK$45 million for the Period from approximately HK$49.4 million recorded in the Corresponding Period. Finance costs for the Period decreased to approximately HK$1.2 million (Corresponding Period: approximately HK$1.3 million), representing a decrease of approximately 7.7% over the Corresponding Period.

Accordingly, the loss attributable to the equity holders of the Company was approximately HK$8.2 million (Corresponding Period: profit of approximately HK$6.5 million), representing basic loss per share of HK$0.041 (Corresponding Period: basic earnings per share of HK$0.033). The Board has resolved to declare an interim dividend of HK0.5 cent per ordinary share (Corresponding Period: HK0.5 cent per ordinary share) for the six months period ended 30 September 2017, totaling HK$1 million.

BUSINESS REVIEW

During the Period, the Group operated in three core business operations, namely: (1) the Electronic Trading Business; (2) the Computer Business which includes (i) the retail sales of computer products and smartphone accessories under the brand of VideoCom (the "Computer Retail Business"); and (ii) the distribution of computer products and consumer products under the brand of APower (the "Computer Distribution Business"); and (3) the Cosmetic Retail and Online Retail Business under the brand of wishh!, accounted for approximately 58.4%, 19.8% and 21.8% of the Group's total revenue respectively for the Period.

Electronic Trading Business

Hong Kong

Electronic Trading Business is the primary contributor to the Group's revenue and profits during the Period and contributed revenue of approximately HK$166 million as compared with approximately HK$203 million recorded in the Corresponding Period, representing a decrease of approximately 18.2% which was mainly due to the discontinuation of distributorship from a major supplier with effective date on 31 October 2016. Certain major customers were lost as a result of the discontinuation of this distributorship.

Despite the global economy has recovered in recent times, there is a growing concern that the recovery may not be sustainable with the concern of the risk of rapid credit growth in China and high asset prices. In addition, since the world's leading toys retailer in the United States undertook a financial restructuring and filed for Chapter 11 bankruptcy protection, the toys manufacturers have become more conservative in their production scale and delayed the launch of new toy models. As a result, the demand for our electronic components declined.

Overseas

The financial results of the Group's overseas operations were relatively stable. The aggregate revenue of all of the Group's overseas subsidiaries were approximately HK$55 million, representing an overall increase of approximately 5.8% as compared with that of approximately HK$52 million recorded in the Corresponding Period. It was mainly attributed to the increase in the revenue generated by the Group's subsidiary in Singapore. The revenue of the subsidiary in Singapore increased from approximately HK$7.7 million during the Corresponding Period to approximately HK$10.4 million during the Period, representing a rise of approximately 35.1%.

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

In terms of geographical segments, revenue from Hong Kong, the Asia Pacific region (other than Hong Kong), South Africa, and other regions accounted for 70.9%, 14.5%, 13.8% and 0.8% respectively of the Group's total revenue during the Period.

Computer Business

Computer Retail Business

The revenue of the Computer Retail Business for the Period was approximately HK$12 million (Corresponding Period: approximately HK$12 million). During the Period, the Group relocated 2 of its retail shops to locations with higher potential. The Group is continuing its search for some suitable locations in order to reach more target customers. We will, however, continue to be careful and prudent when examining new leases or relocation in the future.

Computer Distribution Business

The revenue of the Computer Distribution Business recorded approximately HK$44 million (Corresponding Period: approximately HK$40 million). The revenue from this segment remains stable while the gross profit recorded a noticeable drop as compared with the same recorded in the Corresponding Period due to the fierce competition in the local market of flash memory card.

Cosmetic Retail and Online Retail Business

The revenue of the Cosmetic Retail and Online Retail Business dropped to approximately HK$62 million or about 31.9% during the Period (Corresponding Period: approximately HK$91 million).

Korean products contributed a significant portion of the revenue of this segment in the previous financial years. Due to the restriction on Korean cultural imports, Korean cultural activities and promotions were prohibited in China. The spreading of Korean pop culture in China has been suspended, which in turn affected the Group's sales of Korean products adversely.

The drop in the number of mainland visitors continued to be one of the major reasons for the sluggish retail market since the implementation of 'one-visit-one-week' policy in 2015. The number of mainland visitors, an important customers group, was still disappointing though there is slim improvement as compared with the same during the past few years.

With the expectation that the adverse impact of the 'one-visit-one-week' policy and the restriction of Korean cultural imports in China will be sustained, the Group resolutely took an optimization approach to close down those loss-making retail stores and redeployed the resources to the profit-making retail stores. As at 30 September 2017, the Group has 31 retail stores (Corresponding Period: 41 retail stores). In addition, the Group continues to devote considerable resources through multiple social media channels such as Facebook, Weibo and WeChat to boost the sales and build up the brand image to attract awareness from potential customers. The brand awareness of wishh! is gradually increasing after the Group's continuous promotions and setting up of retail stores in famous shopping districts.

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

OUTLOOK

There are signs of stabilization in the business environment and the Group believes that the retail market in Hong Kong has been bottomed out. The Group will continuously adopt different kind of management strategies and rearrange its product mix in order to improve its operating and financial performance.

With regard to the Electronic Trading Business, the Group will actively expand its business in China, mainly focusing on the sales of IC in LED power supply products. The Group's management teams in Singapore and Malaysia have been merged to achieve efficiency and cost savings during the Period. The team will strive to improve the revenue by obtaining more distributorship from various brands. In South Africa, the Group's new branch office building in Cape Town is under construction. It is planned that one-third of the area of the new building will be occupied by the Group while the remaining part will be rented out to earn considerable income. Currently, the Group is considering making additional investment in South Africa.

Regarding the Group's Computer Business, the Group will continue to enhance the competitiveness of the product portfolio, including trendy products, life style products and consumer electronic products etc. The Group will also continue its search for some suitable location in order to reach more target customers in a prudent and careful manner.

For the Cosmetic Retail and Online Retail Business, the outlook for the physical retail sector is still challenging as a result of declining demand for Korean cosmetic products and disappointing number of mainland visitors, caused by the restriction on Korean cultural imports and 'one-visit-one-week' policy. To confront with the challenges, the Group is taking steps to adjust and enrich its product mix. The Group believes that offering wide range of products is essential to broaden its customer base. In addition, the Group will strive to boost the sales of products with exclusive distributorship in China, Hong Kong and Macau, e.g. Edelcell, Modest, Bikendo, MsLab and "他他拉氏". On the other hand, the Group is optimistic about the online retail sector. To cope with increasing customers' needs, the Group will continue to strengthen its product mix and launch new products to attract traffic and boost sales. Encouraged by the figures recorded during the Period, the Group is planning to open more online stores with different theme in the near future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2017, the Group's cash and bank balances amounted to approximately HK$42 million and the net current assets were approximately HK$153 million. As at 30 September 2017, the current ratio stood at approximately 2.1 (as at 31 March 2017: approximately 2.2). Out of the Group's cash and bank balances, about 66.8% and 3.6% were denominated in Hong Kong dollars and Chinese Renminbi respectively. The balance of approximately 14.4%, 8.2%, 5%, 1.1%, and 0.9% of its total cash and bank balances was denominated in United States dollars, South African Rand, Malaysia Ringgit, Singaporean dollars and others respectively.

The Group generally finances its operation by internally generated resources and banking facilities provided by banks in Hong Kong. As at 30 September 2017, the Group had banking facilities for overdrafts, loans and trade finance from banks totaling approximately HK$156 million (as at 31 March 2017: approximately HK$156 million), with an unused balance of approximately HK$64 million (as at 31 March 2017: approximately HK$76 million). During the Period, the Group's borrowings bore interest at rates ranging from 2.35% to 3.48% per annum (as at 31 March 2017: ranging from 2.44% to 3.48% 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 2017, the Group's trade receivables increased by about 21.3% to approximately HK$57 million whilst the Group's trade payables decreased by about 6.3% to approximately HK$30 million. In the meantime, the Group's inventories decreased by about 6.1% to approximately HK$169 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 2017. On the other hand, the decrease of inventory was mainly due to better control of inventory level during the Period. The debtors turnover days, the creditors turnover days and the inventory turnover days for the Period were 33 days, 27 days and 144 days respectively (as at 31 March 2017: 31 days, 25 days and 142 days respectively). The Group recorded net operating cash outflow of approximately HK$13 million and increased in bank borrowings of approximately HK$12 million for the Period, compared with the net operating cash inflow of approximately HK$17 million and decreased in bank borrowings of approximately HK$8 million for the Corresponding Period.

CAPITAL STRUCTURE

As at 30 September 2017, the Group's gross borrowings repayable within one year, amounted to approximately HK$92 million (as at 31 March 2017: approximately HK$80 million). After deducting cash and cash equivalents of approximately HK$42 million, the Group's net borrowings amounted to approximately HK$50 million (as at 31 March 2017: approximately HK$34 million). The total equity as at 30 September 2017 was approximately HK$175 million (as at 31 March 2017: approximately HK$181 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, increased to 28.6% (as at 31 March 2017: 18.8%).

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 2017, 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 2017, the properties with carrying value of approximately HK$10 million have been pledged to secure the general banking facilities granted to the Group's subsidiary in Singapore.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2017, the Group had total outstanding operating lease commitments of approximately HK$50 million (as at 31 March 2017: HK$61 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 2017.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 30 September 2017, the Group had a total of 414 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 22 November 2017 (Wednesday), the Board had resolved to declare an interim dividend of HK$0.005 per ordinary share for the six months ended 30 September 2017 (2016: HK$0.005 per ordinary share). The interim dividend will be payable on 19 December 2017 (Tuesday) to shareholders whose names appear on the Register of Members of the Company as at 8 December 2017 (Friday).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 6 December 2017 (Wednesday) to 8 December 2017 (Friday), 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 5 December 2017 (Tuesday).

DEALINGS IN COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed shares during the six months ended 30 September 2017. 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 2017.

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 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 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 2017. The Audit Committee comprises three independent non-executive directors, who currently are Dr. Leung Wai Cheung (Chairman), Mr. Charles E. Chapman and Mr. Ku Wing Hong, Eric.

PUBLICATION OF FURTHER INFORMATION

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

APPRECIATION

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

By order of the Board
Hung Kim Fung, Measure
Chairman

Hong Kong, 22 November 2017

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.