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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 2019**

**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 2019 (the “Period”) together with comparative figures for the corresponding period in 2018. These unaudited interim results have not been audited by the Company’s auditor, but have been reviewed by the Audit Committee of the Company.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS**

*For the six months ended 30 September 2019*

|  |             | <b>Six months ended</b> |                    |
|--|-------------|-------------------------|--------------------|
|  |             | <b>30 September</b>     |                    |
|  |             | <b>2019</b>             | <b>2018</b>        |
|  |             | <b>(Unaudited)</b>      | <b>(Unaudited)</b> |
|  | <i>Note</i> | <b>HK\$'000</b>         | <b>HK\$'000</b>    |
| Revenue  | 4           | <b>233,975</b>          | 261,766            |
| Cost of sales  |             | <b>(181,471)</b>        | (199,721)          |
| Gross profit   |             | <b>52,504</b>           | 62,045             |
| Other income – net   |             | <b>1,192</b>            | 2,245              |
| Selling and distribution expenses  |             | <b>(17,771)</b>         | (20,851)           |
| General and administrative expenses  |             | <b>(33,690)</b>         | (40,356)           |
| Operating profit   | 5           | <b>2,235</b>            | 3,083              |
| Finance costs  | 6           | <b>(1,675)</b>          | (1,694)            |
| Profit before income tax   |             | <b>560</b>              | 1,389              |
| Income tax expenses  | 7           | <b>(2,344)</b>          | (2,761)            |
| Loss for the period  |             | <b>(1,784)</b>          | (1,372)            |
| <b>(Loss)/profit attributable to:</b>  |             |                         |                    |
| Equity holders of the Company  |             | <b>(3,981)</b>          | (3,891)            |
| Non-controlling interests  |             | <b>2,197</b>            | 2,519              |
|  |             | <b>(1,784)</b>          | (1,372)            |
| Loss per share attributable to equity holders of the Company for the period – Basic and diluted (HK cents) | 9           | <b>(2.0)</b>            | (1.9)              |

Details of dividends are disclosed in Note 8 to this announcement.

\* For identification purposes only

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

|   | Six months ended<br>30 September |                        |
|---|----------------------------------|------------------------|
|   | 2019                             | 2018                   |
|   | (Unaudited)                      | (Unaudited)            |
|   | HK\$'000                         | HK\$'000               |
| Loss for the period   | <u>(1,784)</u>                   | <u>(1,372)</u>         |
| <b>Other comprehensive expense:</b>                                 |                                  |                        |
| <i>Item that may be reclassified subsequently to profit or loss</i> |                                  |                        |
| Currency translation differences:                                   |                                  |                        |
| – Subsidiaries  | <u>(2,908)</u>                   | <u>(10,325)</u>        |
| Other comprehensive expense for the period                          | <u>(2,908)</u>                   | <u>(10,325)</u>        |
| <b>Total comprehensive expense for the period</b>                   | <u><b>(4,692)</b></u>            | <u><b>(11,697)</b></u> |
| <b>Total comprehensive (expense)/income attributable to:</b>        |                                  |                        |
| Equity holders of the Company                                       | (5,220)                          | (10,209)               |
| Non-controlling interests   | <u>528</u>                       | <u>(1,488)</u>         |
|   | <u><b>(4,692)</b></u>            | <u><b>(11,697)</b></u> |

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

*As at 30 September 2019*

|   |      | As at<br>30 September<br>2019<br>(Unaudited)<br><i>HK\$'000</i> | As at<br>31 March<br>2019<br>(Audited)<br><i>HK\$'000</i> |
|---|------|---|---|
| <b>Non-current assets</b>   |      |   |   |
| Property, plant and equipment   |      | 29,052  | 30,160  |
| Right-of-use assets   |      | 6,837   | –   |
| Investment properties   |      | 4,707   | 4,805   |
| Goodwill  |      | 985   | –   |
| Other receivables   |      | 3,696   | 4,032   |
|   |      | 45,277  | 38,997  |
| <b>Current assets</b>   |      |   |   |
| Inventories   |      | 169,641   | 165,044   |
| Trade receivables   | 10   | 54,981  | 46,653  |
| Other receivables and deposits  |      | 13,571  | 16,308  |
| Current income tax recoverable  |      | 192   | 337   |
| Cash and cash equivalents   |      | 22,741  | 31,733  |
|   |      | 261,126   | 260,075   |
| <b>Total assets</b>   |      | 306,403   | 299,072   |
| <b>Current liabilities</b>  |      |   |   |
| Trade payables  | 11   | 27,628  | 27,696  |
| Other payables and accruals   |      | 14,005  | 12,899  |
| Contract liabilities  | 4(a) | 2,231   | 2,434   |
| Loan from a shareholder   |      | 21,945  | 21,245  |
| Lease liabilities   |      | 5,186   | –   |
| Finance lease liabilities   |      | –   | 14  |
| Short-term bank loans   |      | 74,685  | 75,138  |
| Current income tax liabilities  |      | 1,909   | 530   |
|   |      | 147,589   | 139,956   |
| <b>Net current assets</b>   |      | 113,537   | 120,119   |
| <b>Total assets less current liabilities</b>                              |      | 158,814   | 159,116   |
| <b>Non-current liabilities</b>  |      |   |   |
| Lease liabilities   |      | 1,903   | –   |
| Finance lease liabilities   |      | –   | 28  |
|   |      | 1,903   | 28  |
| <b>Net assets</b>   |      | 156,911   | 159,088   |
| <b>Capital and reserves attributable to equity holders of the Company</b> |      |   |   |
| Share capital   |      | 20,000  | 20,000  |
| Reserves  |      | 98,230  | 104,450   |
|   |      | 118,230   | 124,450   |
| <b>Non-controlling interests</b>  |      | 38,681  | 34,638  |
| <b>Total equity</b>   |      | 156,911   | 159,088   |

## 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 2019 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 2019, 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 2019, 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 2019 for the Group:

|                       |  |
|-----------------------|--|
| Amendments to HKFRSs  | Annual Improvements to HKFRSs 2015–2017 Cycle        |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation       |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement            |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| HKFRS 16              | Leases   |
| HK(IFRIC) – Int 23    | Uncertainty over Income Tax Treatments               |

The impact of the adoption of HKFRS 16 “Leases” are disclosed in Note 3 below. The adoption of other amendments to 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 following new standards, amendments and improvements to existing standards and interpretations that have been issued but are not yet effective.

|   |   |
|---|---|
| Conceptual framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting <sup>2</sup>                                   |
| Amendments to HKFRS 10 and HKAS 28                | Sales or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup> |
| HKFRS 17  | Insurance Contracts <sup>3</sup>  |

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021.

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. CHANGES IN ACCOUNTING POLICIES**

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 April 2019 in Note 3(b) below.

The Group has adopted the modified retrospective approach to which the adjustments and reclassifications resulting from the adoption of HKFRS 16 are recognized on the date of initial application, i.e. as at 1 April 2019. The comparative figures as at 31 March 2019 and for the six months ended 30 September 2018 have not been restated.

**(a) Impact on the financial statements**

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

For leases previously classified as "finance leases", the Group recognized the carrying amounts of the lease assets and lease liabilities immediately before transition as the carrying amounts of the right-of-use assets and the lease liabilities at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

|   | <b>2019</b>           |
|---|-----------------------|
|   | <b>HK\$'000</b>       |
| Operating lease commitments disclosed as at 31 March 2019                                   | <b><u>18,008</u></b>  |
| Discounted using the lessee's incremental borrowing rate of the date of initial application | <b>15,116</b>         |
| Add: finance lease liabilities recognized as at 31 March 2019                               | <b>42</b>             |
| Less: short-term leases recognized on a straight-line basis as expense                      | <b><u>(7,792)</u></b> |
| <b>Lease liabilities recognized as at 1 April 2019</b>                                      | <b><u>7,366</u></b>   |
| Of which are:   |                       |
| Current lease liabilities   | <b>4,127</b>          |
| Non-current lease liabilities   | <b><u>3,239</u></b>   |
|   | <b><u>7,366</u></b>   |

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognized in the consolidated statement of financial position as at 1 April 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

|  | <b>As at<br/>30 September<br/>2019<br/>HK\$'000</b> | <b>As at<br/>1 April<br/>2019<br/>HK\$'000</b> |
|--|---|--|
| Retail outlets, offices and warehouses | <b>6,815</b>  | 7,324  |
| Office equipment                       | <b><u>22</u></b>                                    | <u>31</u>                                      |
| <b>Total right-of-use assets</b>       | <b><u>6,837</u></b>                                 | <b><u>7,355</u></b>                            |

The change in accounting policy affected the following items in the statement of financial position on 1 April 2019:

- property, plant and equipment – decrease by approximately HK\$31,000
- right-of-use assets – increase by approximately HK\$7,324,000 of retail outlets, offices and warehouses and approximately HK\$31,000 of office equipment
- lease liabilities – increase by approximately HK\$7,366,000
- obligations under finance lease – decrease by approximately HK\$42,000

There is no impact on the retained profits on 1 April 2019.

Loss for the period of the Group increased by HK\$241,000 for the six months ended 30 September 2019 as a result of adoption of HKFRS 16.

(i) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the leases.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”.

**(b) Accounting policies applied from 1 April 2019**

The Group leases various retail outlets, offices and warehouses. Rental contracts are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Until the financial year ended 31 March 2019, leases of retail outlets, offices and warehouses were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the leases.

From 1 April 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the leases, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the leases. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.



Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as expenses in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

#### 4. REVENUE AND SEGMENT INFORMATION

Revenue recognized during the period is as follows:

|  | <b>Six months ended</b> |                |
|--|-------------------------|----------------|
|  | <b>30 September</b>     |                |
|  | <b>2019</b>             | 2018           |
|  | <b>(Unaudited)</b>      | (Unaudited)    |
|  | <b>HK\$'000</b>         | HK\$'000       |
| <b>Revenue</b>   |                         |                |
| Sales of electronic components, automation parts and equipment               | <b>152,176</b>          | 152,218        |
| Sales of computer products and mobile accessories and related service income | <b>46,127</b>           | 54,323         |
| Sales of cosmetic products   | <b>35,672</b>           | 55,225         |
|  | <b><u>233,975</u></b>   | <u>261,766</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 Trading Business – Distribution of electronic components, automation parts and equipment; and (ii) Computer Business – Retail sales of computer products, mobile accessories, distribution of computer products and provision of IT outsourcing and solution services; and (iii) Cosmetic and Online Retail Business – Retail and distribution of cosmetic products through retail shops and online channels.

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

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

|                                       | Six months ended 30 September 2019<br>(Unaudited) |                                  |   |                         |                       |
|---------------------------------------|---|----------------------------------|---|-------------------------|-----------------------|
|                                       | Electronic<br>Trading<br>Business<br>HK\$'000     | Computer<br>Business<br>HK\$'000 | Cosmetic and<br>Online Retail<br>Business<br>HK\$'000 | Unallocated<br>HK\$'000 | Group<br>HK\$'000     |
| <b>Revenue</b>                        | <u>152,176</u>                                    | <u>46,127</u>                    | <u>35,672</u>   | <u>–</u>                | <u>233,975</u>        |
| Time of revenue recognition           |   |                                  |   |                         |                       |
| – At a point in time                  | 152,176   | 44,841                           | 35,672  | –                       | 232,689               |
| – Over time                           | <u>–</u>  | <u>1,286</u>                     | <u>–</u>  | <u>–</u>                | <u>1,286</u>          |
|                                       | <u>152,176</u>                                    | <u>46,127</u>                    | <u>35,672</u>   | <u>–</u>                | <u>233,975</u>        |
| Segment results before finance costs  | 3,580   | 270                              | (1,612)   | (3)                     | 2,235                 |
| Finance costs                         | <u>(1,305)</u>                                    | <u>(30)</u>                      | <u>(340)</u>  | <u>–</u>                | <u>(1,675)</u>        |
| <b>Profit before income tax</b>       |   |                                  |   |                         | <b>560</b>            |
| Income tax expenses ( <i>Note 7</i> ) |   |                                  |   |                         | <u>(2,344)</u>        |
| <b>Loss for the period</b>            |   |                                  |   |                         | <b><u>(1,784)</u></b> |

The segment results for the six months ended 30 September 2018 are as follows:

|                                       | Six months ended 30 September 2018<br>(Unaudited) |                                  |   |                         |                       |
|---------------------------------------|---|----------------------------------|---|-------------------------|-----------------------|
|                                       | Electronic<br>Trading<br>Business<br>HK\$'000     | Computer<br>Business<br>HK\$'000 | Cosmetic and<br>Online Retail<br>Business<br>HK\$'000 | Unallocated<br>HK\$'000 | Group<br>HK\$'000     |
| <b>Revenue</b>                        | <u>152,218</u>                                    | <u>54,323</u>                    | <u>55,225</u>   | <u>–</u>                | <u>261,766</u>        |
| Time of revenue recognition           |   |                                  |   |                         |                       |
| – At a point in time                  | 152,218   | 52,962                           | 55,225  | –                       | 260,405               |
| – Over time                           | <u>–</u>  | <u>1,361</u>                     | <u>–</u>  | <u>–</u>                | <u>1,361</u>          |
|                                       | <u>152,218</u>                                    | <u>54,323</u>                    | <u>55,225</u>   | <u>–</u>                | <u>261,766</u>        |
| Segment results before finance costs  | 4,504   | 1,889                            | (3,308)   | (2)                     | 3,083                 |
| Finance costs                         | <u>(1,247)</u>                                    | <u>–</u>                         | <u>(447)</u>  | <u>–</u>                | <u>(1,694)</u>        |
| <b>Profit before income tax</b>       |   |                                  |   |                         | <b>1,389</b>          |
| Income tax expenses ( <i>Note 7</i> ) |   |                                  |   |                         | <u>(2,761)</u>        |
| <b>Loss for the period</b>            |   |                                  |   |                         | <b><u>(1,372)</u></b> |

The segment assets and liabilities as at 30 September 2019 and additions to non-current assets for the period then ended are as follows:

|                                 | Electronic<br>Trading<br>Business<br><i>HK\$'000</i> | Computer<br>Business<br><i>HK\$'000</i> | Cosmetic and<br>Online Retail<br>Business<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Group<br><i>HK\$'000</i> |
|---------------------------------|--|---|--|--------------------------------|--------------------------|
| Assets                          | <u>257,500</u>                                       | <u>23,493</u>                           | <u>20,957</u>  | <u>4,453</u>                   | <u>306,403</u>           |
| Liabilities                     | <u>127,839</u>                                       | <u>6,174</u>                            | <u>11,391</u>  | <u>4,088</u>                   | <u>149,492</u>           |
| Additions to non-current assets | <u>1,478</u>   | <u>31</u>                               | <u>2,641</u>   | <u>–</u>                       | <u>4,150</u>             |

The segment assets and liabilities as at 31 March 2019 and additions to non-current assets for the year then ended are as follows:

|                                 | Electronic<br>Trading<br>Business<br><i>HK\$'000</i> | Computer<br>Business<br><i>HK\$'000</i> | Cosmetic and<br>Online Retail<br>Business<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Group<br><i>HK\$'000</i> |
|---------------------------------|--|---|--|--------------------------------|--------------------------|
| Assets                          | <u>243,587</u>                                       | <u>26,134</u>                           | <u>24,561</u>  | <u>4,790</u>                   | <u>299,072</u>           |
| Liabilities                     | <u>114,119</u>                                       | <u>8,367</u>                            | <u>13,410</u>  | <u>4,088</u>                   | <u>139,984</u>           |
| Additions to non-current assets | <u>22,216</u>  | <u>123</u>                              | <u>718</u>   | <u>–</u>                       | <u>23,057</u>            |

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

|                                 | <b>Six months ended</b> |                        |
|---------------------------------|-------------------------|------------------------|
|                                 | <b>30 September</b>     |                        |
|                                 | <b>2019</b>             | <b>2018</b>            |
|                                 | <b>(Unaudited)</b>      | <b>(Unaudited)</b>     |
|                                 | <b><i>HK\$'000</i></b>  | <b><i>HK\$'000</i></b> |
| <b>Revenue</b>                  |                         |                        |
| Hong Kong (country of domicile) | <b>131,274</b>          | 181,216                |
| Asia Pacific                    | <b>46,415</b>           | 41,477                 |
| South Africa                    | <b>51,384</b>           | 37,629                 |
| Europe                          | <b>3,709</b>            | 874                    |
| Other countries                 | <b>1,193</b>            | 570                    |
|                                 | <u><b>233,975</b></u>   | <u>261,766</u>         |

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

(a) **Contract liabilities**

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

|  | <b>As at<br/>30 September<br/>2019<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 March<br>2019<br>(Audited)<br>HK\$'000 |
|--|---|--|
| Contract liabilities related to sales of electronic components,<br>automation parts and equipment    | <b>1,101</b>  | 1,448  |
| Contract liabilities related to sales of computer products,<br>mobile accessories and service income | <b>978</b>  | 850  |
| Contract liabilities related to sales of cosmetic products   | <b>152</b>  | 136  |
|  | <b><u>2,231</u></b>   | <b><u>2,434</u></b>                                |

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

Revenue of HK\$2,434,000 is recognized in relation to contract liabilities for the period ended 30 September 2019 related to carried forward liabilities as at 1 April 2019.

5. **EXPENSES BY NATURE**

|  | <b>Six months ended<br/>30 September<br/>2019<br/>(Unaudited)<br/>HK\$'000</b> | 2018<br>(Unaudited)<br>HK\$'000 |
|--|--|---------------------------------|
| Cost of inventories expensed   | <b>181,471</b>   | 199,721                         |
| Employee benefits expense  | <b>25,317</b>  | 27,053                          |
| Depreciation of right-of-use assets  | <b>2,923</b>   | –                               |
| Depreciation of owned property, plant and equipment  | <b>774</b>   | 1,415                           |
| Provision for slow-moving inventories (included in cost of sales)  | <b>329</b>   | 5,611                           |
| Expenses related to short-term leases  | <b>8,593</b>   | –                               |
| Operating lease rentals in respect of leased premises  | <b>–</b>   | 14,289                          |
| Provision for impairment of trade receivables<br>(included in general and administrative expenses)             | <b>36</b>  | –                               |
| Reversal of provision for impairment of trade receivables<br>(included in general and administrative expenses) | <b>(237)</b>   | (52)                            |
| Net foreign exchange losses (included in general and<br>administrative expenses)                               | <b>278</b>   | 988                             |
| Losses on disposal of property, plant and equipment<br>(included in general and administrative expenses)       | <b>33</b>  | 70                              |
|  | <b><u>33</u></b>   | <b><u>70</u></b>                |

## 6. FINANCE COSTS

|   | Six months ended |              |
|---|------------------|--------------|
|   | 30 September     |              |
|   | 2019             | 2018         |
|   | (Unaudited)      | (Unaudited)  |
|   | HK\$'000         | HK\$'000     |
| Interest expense on short-term bank loans | 1,537            | 1,693        |
| Interest expense on lease liabilities     | 138              | –            |
| Finance lease charges                     | –                | 1            |
|   | <u>1,675</u>     | <u>1,694</u> |

## 7. INCOME TAX EXPENSES

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the Period. Taxation on overseas profit has been calculated on the estimated assessable profit for the periods at the rates of taxation prevailing in the countries in which the Group operates.

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

|                         | Six months ended |              |
|-------------------------|------------------|--------------|
|                         | 30 September     |              |
|                         | 2019             | 2018         |
|                         | (Unaudited)      | (Unaudited)  |
|                         | HK\$'000         | HK\$'000     |
| Current income tax      |                  |              |
| – Hong Kong Profits Tax | 89               | 99           |
| – Overseas taxation     | 2,255            | 2,662        |
|                         | <u>2,344</u>     | <u>2,761</u> |
| Income tax expenses     | <u>2,344</u>     | <u>2,761</u> |

The Company is exempted from taxation in Bermuda until 2035.

## 8. DIVIDENDS

At a meeting held on 21 November 2019, the directors of the Company declared an interim dividend of HK\$0.005 per ordinary share (2018: HK\$0.005 per ordinary share) for the six months ended 30 September 2019. This interim dividend has not been recognized as a liability at the reporting date. The interim dividend will be payable on 19 December 2019 to shareholders whose names appear on the Register of Members of the Company as at 10 December 2019.

## 9. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30 September 2019 is based on the Group's loss attributable to the equity holders of the Company of approximately HK\$3,981,000 (2018: HK\$3,891,000) and on the weighted average number of 200,000,000 ordinary shares (2018: 200,000,000 ordinary shares) in issue during the period.

No diluted loss per share is presented as there were no potential dilutive ordinary shares in issue during the six months ended 30 September 2019 and 2018.

## 10. TRADE RECEIVABLES

The Group normally grants to its customers credit periods for sales of goods ranging from 7 to 90 days. The ageing analysis of trade receivables, net of provision of impairment, presented based on due dates:

|                 | <b>As at<br/>30 September<br/>2019<br/>(Unaudited)<br/>HK\$'000</b> | <b>As at<br/>31 March<br/>2019<br/>(Audited)<br/>HK\$'000</b> |
|-----------------|---|---|
| 0 to 60 days    | 53,608  | 43,937  |
| 61 to 120 days  | 1,150   | 2,397   |
| 121 to 180 days | 208   | 310   |
| 181 to 365 days | 15  | 9   |
|                 | <u>54,981</u>   | <u>46,653</u>   |

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




## 11. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

|                 | <b>As at<br/>30 September<br/>2019<br/>(Unaudited)<br/>HK\$'000</b> | <b>As at<br/>31 March<br/>2019<br/>(Audited)<br/>HK\$'000</b> |
|-----------------|---|---|
| 0 to 60 days    | 25,916  | 25,419  |
| 61 to 120 days  | 776   | 985   |
| 121 to 180 days | 112   | 532   |
| 181 to 365 days | 824   | 760   |
|                 | <u>27,628</u>   | <u>27,696</u>   |

## FINANCIAL RESULTS




The Group recorded a revenue of approximately HK\$234 million during the Period, representing a decrease of approximately 10.7% as compared with the revenue of approximately HK\$262 million recorded in the six months ended 30 September 2018 (the “Corresponding Period”).

During the Period, the Group’s gross profit decreased from approximately HK\$62 million recorded in the Corresponding Period by approximately 14.5% to approximately HK\$53 million and the gross profit margin decreased to approximately 22.4% (Corresponding Period: approximately 23.7%). In terms of the three core business operations of the Group, gross profit margin of the distribution business of electronic components, automation parts and equipment under the brand of  (the “Electronic Trading Business”), the computer business under the brand of  (the “Computer Business”) and the cosmetic and online retail business mainly under the brand of  (the “Cosmetic and Online Retail Business”) were approximately 22.8%, 20.7% and 23% (Corresponding Period: approximately 25.1%, 18.5% and 25%) respectively. The Group recorded operating profit of approximately HK\$2.2 million as compared with that of profit of HK\$3.1 million in the Corresponding Period. The total operating expenses for the Period decreased by approximately 16.4% to approximately HK\$51 million (Corresponding Period: approximately HK\$61 million).

The distribution and selling expenses of the Group for the Period were approximately HK\$18 million, representing a decrease of approximately 14.3% from those recorded in the Corresponding Period of approximately HK\$21 million. The general and administrative expenses decreased by about 15% or approximately HK\$6 million to approximately HK\$34 million for the Period from approximately HK\$40 million recorded in the Corresponding Period. Finance costs for the Period remained at approximately HK\$1.7 million (Corresponding Period: approximately HK\$1.7 million).

Accordingly, the loss attributable to the equity holders of the Company was approximately HK\$4 million (Corresponding Period: loss of approximately HK\$3.9 million), representing basic loss per share of HK\$0.020 (Corresponding Period: basic loss per share of HK\$0.019). 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 2019, totaling HK\$1 million.

## **BUSINESS REVIEW**

During the Period, the Group operated in three core business operations, namely: (1) the Electronic Trading Business; (2) the Computer Business which includes (i) the retail sales of computer products and smartphone accessories under the brand of  (the “Computer Retail Business”); and (ii) the distribution of computer products and consumer products under the brand of  (the “Computer Distribution Business”); and (3) the Cosmetic and Online Retail Business under the brand of , accounted for approximately 65%, 19.7% and 15.3% 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. It contributed revenue of approximately HK\$152 million as compared with approximately HK\$152 million recorded in the Corresponding Period. The trade war and tariff dispute between China and the United States of America continued to add uncertainties to the global business environment. Purchase orders were decreased as customers became more prudent in production scale. The adverse effect has become more significant in the Period not only in Hong Kong market, but also the Southeast Asia market.

#### *Overseas*

The financial results of the Group’s overseas operations were encouraging. The aggregate revenue of all of the Group’s overseas subsidiaries were approximately HK\$68 million, representing an overall increase of approximately 25.9% as compared with that of approximately HK\$54 million recorded in the Corresponding Period.

The Group’s subsidiaries in South Africa recorded a revenue of approximately HK\$51 million (Corresponding Period: approximately HK\$38 million), representing an increase of approximately 34.2%. Mantech Electronics (Proprietary) Limited remained competitive in its market and continued to generate stable revenue. On 2 April 2019, the Group acquired 65% of the equity interests in Swan Electrical (Pty) Limited (“Swan”) for a cash consideration of approximately ZAR13.8 million (equivalent to approximately HK\$7.6 million) and recorded an amount of approximately ZAR1.9 million (equivalent to approximately HK\$1 million) in respect of goodwill on the acquisition. Swan is a reputable distributor and supplier of electrical products and components in South Africa, which has more than 200 active clients. During the Period, Swan contributed significantly to our Group’s revenue.



In Asia Pacific region, the Group recorded positive growth in its revenue from China. The Group has been actively expanding its business in China, mainly focusing on the sales of IC in LED power supply. The local demand of these products remained strong during the Period. However, in respect of Malaysia and Singapore, the Group's revenue declined as a result of the negative impact of trade war.

In terms of geographical segments, revenue from Hong Kong, the Asia Pacific region (other than Hong Kong), South Africa, and other regions accounted for 56.2%, 19.9%, 21.9% and 2% 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\$10 million (Corresponding Period: approximately HK\$11 million), representing a decrease of approximately 9.1%. On the other hand, the Group recorded an improvement in respect of the gross profit in the Computer Retail Business due to the introduction of high profit margin products.

### *Computer Distribution Business*

The revenue of the Computer Distribution Business recorded approximately HK\$36 million (Corresponding Period: approximately HK\$43 million), representing a decrease of approximately 16.3%. Despite the overall decrease of the revenue, the Group is delighted that the brand MEC is well recognized in the market. It has become one of the core products of the Computer Distribution Business.

## **Cosmetic and Online Retail Business**

The revenue of the Cosmetic and Online Retail Business dropped to approximately HK\$36 million or about 34.5% during the Period (Corresponding Period: approximately HK\$55 million). The decrease was attributed to the reduction of retail stores.

For the past few financial years, the Group has taken steps to minimize the losses. 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 and online business. As at 30 September 2019, the Group has 9 retail stores (Corresponding Period: 14 stores). Despite the fact that the overall segment revenue decreased, the revenue from Online Retail Business recorded significant growth. In addition to our own shopping site wishh.com, the Group is co-operating with a famous online shopping platform, selling a wide range of products including cosmetic and beauty products, housewares and groceries. Hence, the revenue from physical retail stores dropped while the revenue from online business continued to grow.

## **OUTLOOK**

The trade war continued to add uncertainties to the global economy. The Electronics Trading Business has already been adversely affected. The Group expects that the electronic components market will not recover in a short time. Nevertheless, the Group is optimistic about the Electronic Trading Business in South Africa. The Group believes that the acquisition of Swan can achieve synergy. The large electrical components and products client base of Swan enable the Group to reach a new group of potential customers and penetrate into the market of electrical components and products. Meanwhile, the Group's strong merchandising network in China can enhance the sourcing of Swan. Also, the high traffic sales website of Mantech can improve the exposure of Swan's products.

Regarding the Group's Computer Business, the Group will strive to enhance the competitiveness of its products portfolio. We will continue to explore distinctive products and introduce new brands to maintain the market share of the Computer Distribution Business in the local market.

With regard to the Cosmetic and Online Retail Business, the Group will further close down one retail store in Sheung Shui. After that, the number of retail store will become 8. The Group considers it optimal for current business development plan. Hence, the number of retail store will remain unchanged in the foreseeable future. On the other hand, the Group will continue to develop its online retail business and consider co-operating with other online selling platform. It is expected that the revenue from online segment will continue to grow in the second half of the year.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2019, the Group's cash and cash equivalents amounted to approximately HK\$23 million and the net current assets were approximately HK\$114 million. As at 30 September 2019, the current ratio decreased to approximately 1.8 (as at 31 March 2019: approximately 1.9). Out of the Group's cash and cash equivalents, about 31.7% and 9.7% were denominated in Hong Kong dollars and Chinese Renminbi respectively. The balance of approximately 14.1%, 17.8%, 10.6%, 1.3%, 13% and 1.8% of its total cash and cash equivalents was denominated in United States dollars, South African Rand, Malaysia Ringgit, Singaporean dollars, Euro and other currencies respectively.

The Group generally finances its operation by internally generated resources and banking facilities provided by banks in Hong Kong. As at 30 September 2019, the Group had banking facilities for overdrafts, loans and trade finance from banks totaling approximately HK\$104 million (as at 31 March 2019: approximately HK\$111 million), with an unused balance of approximately HK\$29 million (as at 31 March 2019: approximately HK\$36 million). During the Period, the Group's borrowings bore interest at rates ranging from 3.33% to 5.46% per annum (as at 31 March 2019: ranging from 1% to 5.4% 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 2019, the Group's trade receivables increased by about 17% to approximately HK\$55 million and the Group's trade payables maintained in the same level to approximately HK\$28 million. In the meantime, the Group's inventories increased by about 2.8% to approximately HK\$170 million. The debtors turnover days, the creditors days and the inventory days for the Period were 42 days, 28 days and 173 days respectively (as at 31 March 2019: 38 days, 27 days and 168 days respectively). The Group recorded net operating cash inflow of approximately HK\$3 million and decreased in bank borrowings of approximately HK\$0.5 million for the Period, compared with the net operating cash inflow of approximately HK\$21 million and decreased in bank borrowings of approximately HK\$18 million for the Corresponding Period.

## **CAPITAL STRUCTURE**

As at 30 September 2019, the Group's gross borrowing repayable within one year, amounted to approximately HK\$97 million (as at 31 March 2019: approximately HK\$96 million). After deducting cash and cash equivalents of approximately HK\$23 million, the Group's net borrowings amounted to approximately HK\$74 million (as at 31 March 2019: approximately HK\$64 million). The total equity as at 30 September 2019 was approximately HK\$157 million (as at 31 March 2019: approximately HK\$159 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, increased to 47.1% (as at 31 March 2019: 40.6%).

## **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 2019, 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 2019, the properties with carrying value of approximately HK\$12 million have been pledged to secure the general banking facilities granted to the Group's subsidiaries in Singapore and Portugal.

## **COMMITMENTS AND CONTINGENT LIABILITIES**

As at 30 September 2019, the Group had total outstanding operating lease commitments of approximately HK\$22 million (as at 31 March 2019: HK\$18 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 2019.

## **EMPLOYMENT, TRAINING AND REMUNERATION POLICY**

As at 30 September 2019, the Group had a total of 355 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 21 November 2019 (Thursday), the Board had resolved to declare an interim dividend of HK\$0.005 per ordinary share for the six months ended 30 September 2019 (2018: HK\$0.005 per ordinary share). The interim dividend will be payable on 19 December 2019 (Thursday) to shareholders whose names appear on the Register of Members of the Company as at 10 December 2019 (Tuesday).

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 6 December 2019 (Friday) to 10 December 2019 (Tuesday), 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 2019 (Thursday).

## **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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Having made all reasonable enquiries with the directors of the Company, the Company was of the view that the directors had complied with the said Code of Conduct throughout the Period.

## **DEALINGS IN COMPANY'S LISTED SECURITIES**

The Company has not redeemed any of its listed shares during the six months ended 30 September 2019. 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 2019.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company had complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Code") throughout the Period, except for the deviation stated below:

According to the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. None of the independent non-executive directors of the Company was appointed for specific term but all of them are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws. Pursuant to the code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the Bye-laws of the Company, the Chairman and Managing Director are not subject to retirement by rotation or be taken into account in determining the number of directors to retire, which deviated from code provision A.4.2 of the Code. As continuation is a key factor to the successful implementation of any long term business plans, the Board believes that the present arrangement is most beneficial to the Company and its shareholders as a whole.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group; it has also discussed with the 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 2019. 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](http://www.hkex.com.hk)) and the Company ([www.mobicon.com](http://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, 21 November 2019

*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.*