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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 2022**

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 2022 (the “Period”) together with comparative figures for the corresponding period in 2021. 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 2022

		Six months ended	
		30 September	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$’000	HK\$’000
Revenue	3	219,424	259,886
Cost of sales		(161,156)	(189,417)
Gross profit		58,268	70,469
Other income and net gains		4,975	1,075
Distribution and selling expenses		(17,049)	(18,524)
General and administrative expenses		(37,763)	(35,764)
Operating profit	4	8,431	17,256
Finance costs	5	(1,393)	(941)
Profit before income tax		7,038	16,315
Income tax expense	6	(1,724)	(3,582)
Profit for the period		5,314	12,733
Profit attributable to:			
Equity holders of the Company		2,587	7,299
Non-controlling interests		2,727	5,434
		5,314	12,733
Earnings per share attributable to the equity holders of the Company for the period			
– Basic and diluted (<i>HK cents</i>)	8	1.3	3.6

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

* For identification purposes only

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	<u>5,314</u>	<u>12,733</u>
Other comprehensive expense:		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences:		
– Subsidiaries	<u>(21,776)</u>	<u>(1,788)</u>
Other comprehensive expense for the period, net of tax	<u>(21,776)</u>	<u>(1,788)</u>
Total comprehensive (expense)/income for the period	<u>(16,462)</u>	<u>10,945</u>
Total comprehensive (expense)/income attributable to:		
Equity holders of the Company	(9,821)	6,090
Non-controlling interests	<u>(6,641)</u>	<u>4,855</u>
	<u>(16,462)</u>	<u>10,945</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		40,827	39,316
Right-of-use assets		6,293	8,741
Intangible assets		90	138
Investment properties		4,433	4,685
Goodwill	9	–	–
Other receivables		1,680	2,016
		53,323	54,896
Current assets			
Inventories		172,641	188,877
Trade receivables	10	46,441	57,827
Other receivables and deposits		16,659	17,023
Current income tax recoverable		385	82
Cash and bank balances		32,423	37,220
		268,549	301,029
Total assets		321,872	355,925
Current liabilities			
Trade payables	11	27,444	33,331
Other payables and accruals		18,647	20,619
Contract liabilities	3(a)	1,962	3,240
Loan from a shareholder		30,000	30,000
Lease liabilities		4,299	5,929
Borrowings		59,941	69,292
Current income tax liabilities		637	284
		142,930	162,695
Net current assets		125,619	138,334
Total assets less current liabilities		178,942	193,230
Non-current liabilities			
Borrowings		4,702	–
Deferred tax liabilities		1,132	1,698
Lease liabilities		2,401	3,363
		8,235	5,061
Net assets		170,707	188,169
Capital and reserves attributable to the equity holders of the Company			
Share capital		20,000	20,000
Reserves		106,458	117,279
		126,458	137,279
Non-controlling interests		44,249	50,890
Total equity		170,707	188,169

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 2022 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 2022, 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 2022, 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 2022 for the Group:

Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

The adoption of the above standards and interpretation did not result in any substantial changes to the Group’s accounting policies and had no material financial impact on the unaudited condensed consolidated interim financial information.

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

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

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

3. REVENUE AND SEGMENT INFORMATION

Revenue recognized during the period is as follows:

	Six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sales of electronic components, electrical components and equipment	149,790	193,312
Sales of computer products, mobile accessories and service income	41,592	41,058
Sales of cosmetic products	28,042	25,516
	219,424	259,886

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

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

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

	Six months ended 30 September 2022				
	(Unaudited)				
	Electronic and Electrical Trading Business HK\$'000	Computer Business HK\$'000	Cosmetic and Online Retail Business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Revenue from external customers	<u>149,790</u>	<u>41,592</u>	<u>28,042</u>	–	<u>219,424</u>
Time of revenue recognition					
– At a point in time	149,790	41,015	28,042	–	218,847
– Over time	–	577	–	–	577
	<u>149,790</u>	<u>41,592</u>	<u>28,042</u>	–	<u>219,424</u>
Segment results	5,075	2,005	1,351	–	8,431
Finance costs	<u>(1,161)</u>	<u>(97)</u>	<u>(135)</u>	–	<u>(1,393)</u>
Profit before income tax					7,038
Income tax expense (<i>Note 6</i>)					<u>(1,724)</u>
Profit for the period					<u>5,314</u>

The segment results for the period ended 30 September 2021 are as follows:

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

The segment assets and liabilities as at 30 September 2022 and additions to non-current assets for the period then ended are as follows:

	Electronic and Electrical Trading Business (Unaudited) <i>HK\$'000</i>	Computer Business (Unaudited) <i>HK\$'000</i>	Cosmetic and Online Retail Business (Unaudited) <i>HK\$'000</i>	Unallocated (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
	Assets	<u>272,791</u>	<u>27,064</u>	<u>19,510</u>	<u>2,507</u>
Liabilities	<u>123,369</u>	<u>13,092</u>	<u>10,614</u>	<u>4,090</u>	<u>151,165</u>
Additions to non-current assets	<u>8,604</u>	<u>1,481</u>	<u>26</u>	<u>–</u>	<u>10,111</u>

The segment assets and liabilities as at 31 March 2022 and additions to non-current assets for the year then ended are as follows:

	Electronic and Electrical Trading Business (Audited) <i>HK\$'000</i>	Computer Business (Audited) <i>HK\$'000</i>	Cosmetic and Online Retail Business (Audited) <i>HK\$'000</i>	Unallocated (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
Assets	<u>305,362</u>	<u>27,514</u>	<u>20,207</u>	<u>2,842</u>	<u>355,925</u>
Liabilities	<u>140,478</u>	<u>12,515</u>	<u>10,674</u>	<u>4,089</u>	<u>167,756</u>
Additions to non-current assets	<u>16,694</u>	<u>3,036</u>	<u>1,732</u>	<u>–</u>	<u>21,462</u>

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

	Six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Hong Kong (country of domicile)	102,713	114,386
Asia Pacific	43,125	64,006
South Africa	68,743	73,367
Europe	3,929	7,571
Other countries	914	556
	<u>219,424</u>	<u>259,886</u>

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

(a) Contract liabilities

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

	As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
Contract liabilities related to sales of electronic components, electrical components and equipment	245	1,475
Contract liabilities related to sales of computer products, mobile accessories and service income	1,705	1,739
Contract liabilities related to sales of cosmetic products	12	26
	<u>1,962</u>	<u>3,240</u>

(b) Revenue recognized in relation to contract liabilities

Revenue of approximately HK\$2,770,000 (2021: approximately HK\$1,082,000) recognized in relation to contract liabilities for the six months ended 30 September 2022 related to carried forward contract liabilities as at 1 April 2022.

4. EXPENSES BY NATURE

	Six months ended 30 September 2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Cost of inventories expensed	156,916	189,417
Employee benefit expense	27,890	27,397
Amortization of intangible assets	24	21
Depreciation of right-of-use assets	3,253	2,878
Depreciation of property, plant and equipment	751	629
Provision/(reversal) for impairment of slow-moving inventories (included in cost of sales)	2,165	(11)
Expenses related to short-term leases	3,474	3,408
Provision for impairment of trade receivables (included in general and administrative expenses)	555	343
Reversal of provision for impairment of trade receivables (included in general and administrative expenses)	(497)	(52)
Net foreign exchange losses (included in general and administrative expenses)	1,912	162
Gain on disposal of property, plant and equipment (included in general and administrative expenses)	–	(11)
	<u>–</u>	<u>(11)</u>

5. FINANCE COSTS

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expense on bank loans	1,102	859
Interest expense on lease liabilities	291	82
	<u>1,393</u>	<u>941</u>

6. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the six months ended 30 September 2022. Taxation on overseas profit has been calculated on the estimated assessable profit for the periods at the rates of taxation prevailing in the countries in which the Group operates.

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

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong Profits Tax	234	81
– Overseas taxation	1,733	3,848
	<u>1,967</u>	<u>3,929</u>
Deferred tax credit		
– Overseas taxation	(243)	(347)
Income tax expense	<u>1,724</u>	<u>3,582</u>

The Company is exempted from taxation in Bermuda until 2035.

7. DIVIDENDS

At a meeting held on 25 November 2022, the directors of the Company declared an interim dividend of HK\$0.005 per ordinary share (2021: HK\$0.005 per ordinary share) for the six months ended 30 September 2022. This interim dividend has not been recognized as a liability at the reporting date. The interim dividend will be payable on 23 December 2022 to shareholders whose names appear on the Register of Members of the Company as at 14 December 2022.

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2022 is based on the Group's profit attributable to the equity holders of the Company of approximately HK\$2,587,000 (2021: approximately HK\$7,299,000) and on the weighted average number of 200,000,000 ordinary shares (2021: 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 2022 and 2021.

9. GOODWILL

	As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
Cost	171	212
Accumulated impairment losses	(171)	(212)
	—	—

10. TRADE RECEIVABLES

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

	As at 30 September 2022 (Unaudited) <i>HK\$'000</i>	As at 31 March 2022 (Audited) <i>HK\$'000</i>
0 to 60 days	43,752	50,919
61 to 120 days	2,112	6,612
121 to 180 days	274	154
181 to 365 days	303	142
	<u>46,441</u>	<u>57,827</u>

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





11. TRADE PAYABLES

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

	As at 30 September 2022 (Unaudited) <i>HK\$'000</i>	As at 31 March 2022 (Audited) <i>HK\$'000</i>
0 to 60 days	22,290	28,533
61 to 120 days	2,497	2,609
121 to 180 days	684	309
181 to 365 days	1,973	1,880
	<u>27,444</u>	<u>33,331</u>

FINANCIAL RESULTS

The Group recorded a revenue of approximately HK\$219 million during the Period, representing a decrease of approximately 15.8% as compared with the revenue of approximately HK\$260 million recorded in the six months ended 30 September 2021 (the “Corresponding Period”).

During the Period, the Group’s gross profit decreased from approximately HK\$70 million recorded in the Corresponding Period by approximately 17.1% to approximately HK\$58 million and the gross profit margin decreased to approximately 26.6% (Corresponding Period: approximately 27.1%). In terms of the three core business operations of the Group, the gross profit margin of the distribution business of electronic components, electrical components and equipment under the brand of  (the “Electronic and Electrical Trading Business”), the computer business which includes (i) the retail sales of computer products and smartphone accessories under the brand of  (the “Computer Retail Business”) and (ii) the distribution of computer products and consumer products under the brand of  (the “Computer Distribution Business” together with the Computer Retail Business, the “Computer Business”) and the cosmetic and online retail business mainly under the brand of  (the “Cosmetic and Online Retail Business”) were approximately 28.3%, 21% and 25.3%, respectively (Corresponding Period: approximately 28.4%, 23.2% and 23.4%, respectively). Other income recorded during the Period was approximately HK\$5 million (Corresponding Period: approximately HK\$1 million), which was mainly attributed to the recognition of government grants of approximately HK\$2.7 million. The Group recorded operating profit of approximately HK\$8.4 million for the Period as compared to that of HK\$17.3 million in the Corresponding Period. The total operating expenses for the Period was approximately HK\$55 million (Corresponding Period: approximately HK\$54 million).

The distribution and selling expenses of the Group for the Period were approximately HK\$17 million, representing a decrease of approximately 10.5% from those recorded in the Corresponding Period of approximately HK\$19 million. The general and administrative expenses increased by approximately 5.6% or approximately HK\$2 million to approximately HK\$38 million for the Period from approximately HK\$36 million recorded in the Corresponding Period. Finance costs for the Period were approximately HK\$1.4 million, representing an increase of approximately 55.6% (Corresponding Period: approximately HK\$0.9 million).

Accordingly, the profit attributable to the equity holders of the Company was approximately HK\$2.6 million (Corresponding Period: approximately HK\$7.3 million), representing basic earnings per share of HK\$0.013 (Corresponding Period: basic earnings per share of HK\$0.036). The Board has resolved to declare an interim dividend of HK0.5 cents per ordinary share (the Corresponding Period: HK0.5 cents per ordinary share) for the six months period ended 30 September 2022, totaling HK\$1 million.

BUSINESS REVIEW

During the Period, the Group operated in three core business operations, namely: (1) the Electronic and Electrical Trading Business; (2) the Computer Business which includes (i) the Computer Retail Business; and (ii) the Computer Distribution Business; and (3) the Cosmetic and Online Retail Business under the brand of **wishh!**, accounted for approximately 68%, 19% and 13% of the Group's total revenue respectively for the Period.

Electronic and Electrical Trading Business

The Electronic and Electrical Trading Business is the primary contributor to the Group's revenue during the Period. It contributed revenue of approximately HK\$150 million as compared with approximately HK\$193 million recorded in the Corresponding Period, representing a decrease of approximately 22.3%. Under the combined influence of currency exchange rate changes and rising interest rates, the demand for electronic components has become more conservative. Nevertheless, the Group is optimistic about the Electronic and Electrical Trading Business.

The aggregate revenue of all of the Group's overseas subsidiaries was approximately HK\$90 million, representing an overall decrease of approximately 1.1% as compared with that of approximately HK\$91 million recorded in the Corresponding Period. The revenue of the Group's subsidiaries located in South Africa was approximately HK\$69 million (Corresponding Period: approximately HK\$75 million), representing a decrease of approximately 8%. The strength of the United States dollar has led to the continuous weakening of the value of South African currency. The Group is considering raising product prices, and actively striving for overseas suppliers to settle transactions in Renminbi in order to reduce the impact of foreign exchange.

In terms of geographical segments, the revenue from Hong Kong, the Asia Pacific region (other than Hong Kong), South Africa, Europe and other regions accounted for approximately 47%, 19%, 31%, 2% and 1%, respectively of the Group's total revenue during the Period.

Computer Business

The revenue of the Computer Retail Business for the Period was approximately HK\$9 million (Corresponding Period: approximately HK\$10 million), representing a decrease of approximately 10%. The revenue of the Computer Distribution Business for the Period recorded approximately HK\$33 million (Corresponding Period: approximately HK\$31 million), representing a increase of approximately 6.5%. The Group expects the demand for computer and mobile accessories will remain stable but the profit margin of flash memory will be under pressure due to fierce competition.

Cosmetic Business and Online Retail Business

The revenue of the Cosmetic Business and Online Retail Business increased to approximately HK\$28 million or about 7.7% during the Period (Corresponding Period: approximately HK\$26 million). The consumer sentiment became conservative in the uncertain economic environment and store sales were inevitably hit. It is expected that the implementation of the “mask order” will continue and weaken the demand for makeup cosmetic products. Regarding the online retail business, the Group will allocate additional resources, strengthen the procurement of Japanese products and e-commerce to cope with the continuous increase in online shopping consumption pattern and market competition.

OUTLOOK

The trade conflict between the United States and the PRC, the adverse impact of the war in Ukraine on the Group’s customers for their sale of finished products to the European markets and the consumer sentiment have also been adversely affected by the rising inflation globally. Any deterioration of the situation may have negative impact on our revenue. The sporadic outbreak of COVID-19 in certain regions in the PRC has adversely affected the electronic components supply chain. It is expected that the material shortage, supply and logistics delay will be improved after gradual stabilisation of the epidemic.

Regarding the Computer Business, the Group expects that the demand for computer products and accessories will be stable, but the profit margin of flash memory products will be pressured due to fierce competition. Nevertheless, our purchasing team will continue to source unique and safety products for Hong Kong market.

The Group expects the sales on skincare products will increase during autumn and winter in 2022. It is likely to ease the pressure on cosmetic business caused by the “mask order”, which is still being enforced. The Group will devote more resources on the online retail business and strengthen the procurement of Japanese products. The Group will strive to improve the profit margin of products by investing in exclusive distributorship products. We will continue to monitor the situation and tailor our strategies flexibly to improve profitability.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2022, the Group's cash and bank balances amounted to approximately HK\$32 million and the net current assets were approximately HK\$126 million. As at 30 September 2022, the current ratio increased to approximately 1.9 (as at 31 March 2022: approximately 1.9). Out of the Group's cash and bank balances, about 40.6% and 9.6% were denominated in Hong Kong dollars and Renminbi, respectively. The balance of approximately 15.4%, 19.7%, 7.6%, 3.1%, 1% and 3% of its total cash and bank balances was denominated in United States dollars, South African Rand, Malaysia Ringgit, Singapore dollars, Euro and others, respectively.

The Group generally finances its operation by internally generated resources and banking facilities provided by banks. As at 30 September 2022, the Group had banking facilities for overdrafts, loans and trade finance from banks totaling approximately HK\$94 million (as at 31 March 2022: approximately HK\$89 million), with an unused balance of approximately HK\$29 million (as at 31 March 2022: approximately HK\$20 million). During the Period, the Group's borrowings bore interest at rates ranging from 3.0% to 10.7% per annum (as at 31 March 2022: ranging from 2.2% to 7% 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 2022, the Group's trade receivables decreased by about 19.7% to approximately HK\$46 million and the Group's trade payables decreased by about 17.7% to approximately HK\$27 million. In the meantime, the Group's inventories decreased by about 8.6% to approximately HK\$173 million. The debtors turnover days, the creditors days and the inventory days for the Period were 43 days, 38 days and 204 days, respectively (as at 31 March 2022: 43 days, 36 days and 185 days, respectively). The Group recorded net operating cash inflow of approximately HK\$15 million and decreased in borrowings of approximately HK\$4.6 million for the Period, compared with the net operating cash inflow of approximately HK\$20 million and decreased in borrowings of approximately HK\$9 million for the Corresponding Period.

CAPITAL STRUCTURE

As at 30 September 2022, the Group's gross borrowing repayable amounted to approximately HK\$65 million (as at 31 March 2022: approximately HK\$69 million). After deducting cash and cash equivalents of approximately HK\$32 million, the Group's net borrowings amounted to approximately HK\$32 million (as at 31 March 2022: approximately HK\$32 million). The total equity as at 30 September 2022 was approximately HK\$171 million (as at 31 March 2022: approximately HK\$188 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, increased to 36.4% (as at 31 March 2022: 33%). The Group will continue to adopt a prudent financing and treasury policy in managing the Group's bank balances and maintain a strong and health liquidity to ensure that the Group is well placed to take advantage of future business opportunities.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the Group's transactions were denominated in Hong Kong dollars, Renminbi and United States dollars. Given that the exchange rate of Hong Kong dollars against Renminbi has been and is likely to be under control and that the Hong Kong Government's policy of linking the Hong Kong dollars to the United States dollars remains in effect, the Directors consider that the risks faced by the Group on foreign exchange will remain minimal and no hedging or other alternative measures have been undertaken by the Group. As at 30 September 2022, 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 2022, the properties and bank balances with carrying value of approximately HK\$24 million have been pledged to secure the general banking facilities granted to the Group's subsidiaries in Singapore, Portugal and South Africa.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 September 2022.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 30 September 2022, the Group had a total of 387 full-time employees inclusive of its staff in Hong Kong and overseas subsidiaries. The Group has developed its human resources policies and procedures based on the performance, merits and market conditions. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance-based bonuses (based on the Group's financial results as well as individual performance).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 12 December 2022 (Monday) to 14 December 2022 (Wednesday), both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at its office situated at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 9 December 2022 (Friday).

DEALINGS IN COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed shares during the six months ended 30 September 2022. 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 2022.

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 B.2.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. None of the Directors of the Company, except Mr. Ip Fu Wa, Benthony who was appointed as an independent non-executive Director of the Company on 31 August 2022, was appointed for specific term but all of the Directors 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. 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 B.2.2 of the Code. As continuation is a key factor to the successful implementation of any long term business plans, the Board believes that the present arrangement is most beneficial to the Company and its shareholders as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

During the Period, the Company has adopted a Code of Conduct regarding Directors’ transactions in securities of the Company (the “Code of Conduct”) on terms no less exacting than the required standard set out in the Model Code under Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “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 2022. The Audit Committee comprises three independent non-executive Directors, who currently are Dr. Leung Wai Cheung (Chairman), Mr. Ip Fu Wa, Benthony and Mr. Ku Wing Hong, Eric.

PUBLICATION OF FURTHER INFORMATION

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

APPRECIATION

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

By order of the Board
Mobicon Group Limited
Hung Kim Fung, Measure
Chairman

Hong Kong, 25 November 2022

As at the date of this announcement, the board of directors of the Company comprises Dr. Hung Kim Fung, Measure, Madam Yeung Man Yi, Beryl, Mr. Hung Ying Fung and Mr. Yeung Kwok Leung, Allix as executive Directors and Mr. Ip Fu Wa, Benthony, Dr. Leung Wai Cheung and Mr. Ku Wing Hong, Eric as independent non-executive Directors.