

RNS Half-year/Interim Report

Half-year Report

MOBILITYONE LIMITED

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MobilityOne Limited
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MobilityOne Limited
("MobilityOne", the "Company" or the "Group")

Unaudited interim results for the six months ended 30 June 2020

MobilityOne (AIM: MBO), the e-commerce infrastructure payment solutions and platform provider, announces its unaudited interim results for the six months ended 30 June 2020.

Highlights:

- Revenue increased by 51.9% to £119.9 million (H1 2019: £78.9 million) contributed by strong growth in the Group's mobile phone prepaid airtime reload and bill payment business in Malaysia and an increase in e-payment transactions resulting from the COVID-19 pandemic;
- Profit after tax of £1.07 million (H1 2019: profit after tax of £0.42 million);
- Cash and cash equivalents (including fixed deposits) at 30 June 2020 of £5.92 million (30 June 2019: £4.99 million);
- The Group intends to continue to enhance its product offering and payment systems including online payment gateways and to explore venturing into complementary businesses such as moneylending business in Malaysia; and
- The Group remains confident on the outlook for the remainder of 2020, taking into consideration the improved financial performance in the first six months of 2020 for the Group's existing businesses as well as the prospects for the new initiatives being pursued.

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About the Group:

MobilityOne provides e-commerce infrastructure payment solutions and platforms through its proprietary technology solutions. The Group has developed an end-to-end e-commerce solution which connects various service providers across several industries such as banking, telecommunication and transportation through multiple distribution devices including EDC terminals, mobile devices, automated teller machines ("ATM") and internet banking. The Group's technology platform is flexible, scalable and designed to facilitate cash, debit card and credit card transactions from multiple devices while controlling and monitoring the distribution of different products and services.

For more information, refer to our website at www.mobilityone.com.my.

Chairman's statement

The Group's revenue continued its growth trend in the period under review increasing by 51.9% to £119.9 million (H1 2019: revenue of £78.9 million) in the first six months of 2020. The higher revenue was mainly contributed by the strong growth of mobile phone

prepaid airtime reload and bill payment business activities in Malaysia through the Group's banking channels (i.e. mobile banking and internet banking) with 10 banks and third parties' e-wallet applications. In addition, the COVID-19 pandemic has encouraged more e-payment transactions which has contributed to the revenue growth. As a result of the substantial increase in revenue in the period under review, the Group recorded a profit after tax of £1.07 million in the first six months of 2020 (H1 2019: profit after tax of £0.42 million).

The Group's other businesses, including the international remittance services in Malaysia and its e-payment solutions activities in the Philippines and Brunei, remained small and did not make significant contributions to the Group in the period under review.

As at 30 June 2020, the Group had cash and cash equivalents (including fixed deposits) of £5.92 million (30 June 2019: cash and cash equivalents of £4.99 million) and the secured loans and borrowings from financial institutions amounted to £3.47 million (30 June 2019: £4.08 million). The Group has shown strong cash generation from operations in the period under review which has strengthened the Group's financial position as at 30 June 2020.

Current trading and outlook

For future growth, the Group intends to continue to enhance its product offering and payment systems including online payment gateways which cover the acceptance of credit cards and payment wallets. In addition, the Group intends to explore venturing into complementary businesses such as moneylending business in Malaysia by the first quarter of next year following demand from individuals and small businesses such as the Group's existing and new merchants.

Recently, the Company has announced the following developments:

- (i) the Company's wholly-owned subsidiary in the United Kingdom, M-One Tech Limited, is in the midst of preparing the necessary application to the Financial Conduct Authority to seek its approval for the Group to commence businesses such as payment aggregation, electronic payments and e-remittance services in the United Kingdom, areas in which the Group already has the operational experience in Malaysia;
- (ii) the Company's 50%-owned remittance company, OneTransfer Remittance Sdn Bhd ("OTR"), has, since 25 September 2020, been acting as one of MoneyGram Payment Systems, Inc. ("MoneyGram") correspondence remittance companies in Malaysia enabling the customers of OTR to send and receive money via MoneyGram's global platform which connects to more than 200 countries worldwide; and
- (iii) the Company's wholly-owned subsidiary, MobilityOne Sdn Bhd, entered into an Alipay service contract with Alipay.com Co., Ltd ("Alipay") in August 2020 to offer Alipay's payment acceptance service to the Group's merchants in Malaysia. The Group intends to, via an e-platform, provide payment processing, authorisation and settlement services to its merchants who provide goods and services directly to Alipay users to enable such merchants to accept payments from Alipay users. The Group intends to deploy the service to the market by the end of this year.

The Group remains confident on the outlook for the full year of 2020, taking into consideration the improved financial performance in the first six months of 2020 for the Group's existing businesses as well as the prospects for the new initiatives being pursued.

Abu Bakar bin Mohd Taib
Chairman

22 October 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

| | Six months Ended 30 June 2020 Unaudited £ | Six months Ended 30 June 2019 Unaudited £ | Financial year Ended 31 Dec 2019 Audited £ |
|------------------------------|---|---|--|
| CONTINUING OPERATIONS | | | |
| Revenue | 119,909,734 | 78,920,618 | 169,412,664 |
| Cost of sales | <u>(112,615,797)</u> | <u>(73,676,744)</u> | <u>(158,641,222)</u> |
| GROSS PROFIT | 7,293,937 | 5,243,874 | 10,771,442 |
| Other operating income | 54,024 | 59,822 | 192,515 |
| Administration expenses | (5,701,502) | (4,610,647) | (9,253,270) |
| Distribution costs | - | (384) | - |
| Other operating expenses | (155,027) | (124,664) | (377,143) |
| Share of associate result | <u>-</u> | <u>-</u> | <u>22,684</u> |
| OPERATING PROFIT | 1,491,432 | 568,001 | 1,356,228 |
| Finance costs | <u>(68,905)</u> | <u>(144,002)</u> | <u>(273,052)</u> |
| PROFIT BEFORE TAX | 1,422,527 | 423,999 | 1,083,176 |
| Tax | <u>(356,510)</u> | <u>(2,813)</u> | <u>(108,674)</u> |

| | | | |
|---|------------------|----------------|------------------|
| PROFIT FROM CONTINUING OPERATIONS | 1,066,017 | 421,186 | 974,502 |
| Gain on disposal of subsidiary | - | - | 1,105,535 |
| LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX | - | - | (208,039) |
| PROFIT FOR THE PERIOD/YEAR | 1,066,017 | 421,186 | 1,871,998 |
| Attributable to: | | | |
| Owners of the parent | 1,066,435 | 786,931 | 1,508,874 |
| Non-controlling interest | (418) | (365,745) | 363,124 |
| | 1,066,017 | 421,186 | 1,871,998 |
| EARNINGS PER SHARE | | | |
| Basic earnings per share (pence) | 1.003 | 0.740 | 1.419 |
| Diluted earnings per share (pence) | 0.912 | 0.677 | 1.291 |
| PROFIT FOR THE PERIOD/YEAR | 1,066,017 | 421,186 | 1,871,998 |
| OTHER COMPREHENSIVE PROFIT/(LOSS) | | | |
| Foreign currency translation | 52,686 | 11,718 | (43,083) |
| TOTAL COMPREHENSIVE PROFIT FOR THE PERIOD/YEAR | 1,118,703 | 432,904 | 1,828,915 |
| Total comprehensive profit attributable to: | | | |
| Owners of the parent | 1,118,970 | 445,693 | 1,465,622 |
| Non-controlling interest | (267) | (12,789) | 363,293 |
| | 1,118,703 | 432,904 | 1,828,915 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

| | At 30 June 2020 Unaudited £ | At 30 June 2019 Unaudited £ | At 31 Dec 2019 Audited £ |
|---|--------------------------------------|--------------------------------------|-----------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 192,685 | 268,501 | 222,731 |
| Property, plant and equipment | 701,369 | 1,855,510 | 721,079 |
| Deferred tax assets | - | 193,251 | - |
| Right-of-use assets | 396,736 | - | 455,168 |
| | 1,290,790 | 2,317,262 | 1,398,978 |
| Current assets | | | |
| Inventories | 2,328,897 | 1,317,318 | 1,564,160 |
| Trade receivables | 4,129,100 | 3,040,250 | 3,769,016 |
| Other receivables | 551,494 | 1,399,891 | 644,173 |
| Amount due from an associate | 175,363 | - | 145,095 |
| Tax recoverable | 131,866 | 142,591 | 81,353 |
| Fixed deposits | 2,912,833 | - | 2,763,029 |
| Assets held for sale | - | 63,740 | - |
| Cash and cash equivalents | 3,011,312 | 4,994,352 | 1,660,034 |
| | 13,240,865 | 10,958,142 | 10,626,860 |
| Total Assets | 14,531,655 | 13,275,404 | 12,025,838 |
| Shareholders' equity | | | |
| Equity attributable to equity holders of the Company | | | |
| Called up share capital | 2,657,470 | 2,657,470 | 2,657,470 |
| Share premium | 909,472 | 909,472 | 909,472 |
| Reverse acquisition reserve | 708,951 | 708,951 | 708,951 |
| Foreign currency translation reserve | 891,945 | 894,229 | 839,259 |
| Accumulated losses | (2,182,717) | (3,968,077) | (3,249,152) |
| Shareholders' equity | 2,985,121 | 1,202,045 | 1,866,000 |
| Non-controlling interest | (11,946) | (1,681,855) | (11,261) |
| Total Equity | 2,973,175 | (479,810) | 1,854,739 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Loans and borrowings - secured | 268,449 | 269,651 | 265,585 |
| Lease liabilities | 45,114 | - | 151,565 |
| Deferred tax liabilities | 62,274 | 472 | 60,873 |
| Amount due to directors | - | 1,911,200 | - |
| | 375,837 | 2,181,323 | 478,023 |

| Current liabilities | | | |
|-------------------------------------|-------------------|-------------------|-------------------|
| Trade payables | 1,732,505 | 1,816,034 | 1,266,150 |
| Other payables | 5,884,717 | 5,772,848 | 4,920,913 |
| Amount due to directors | 123,991 | 174,598 | 107,827 |
| Loans and borrowings - secured | 3,199,201 | 3,805,908 | 3,161,178 |
| Lease liabilities | 236,547 | - | 232,228 |
| Tax payables | 5,682 | 4,503 | 4,780 |
| | <u>11,182,643</u> | <u>11,573,891</u> | <u>9,693,076</u> |
| Total Liabilities | <u>11,558,480</u> | <u>13,755,214</u> | <u>10,171,099</u> |
| | <u>14,531,655</u> | <u>13,275,404</u> | <u>12,025,838</u> |
| Total Equity and Liabilities | | | |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

| | Non-Distributable | | | Distributable | | Total | Non-Controlling Interest | Total Equity |
|---|-------------------|----------------|-----------------------------|--------------------------------------|--------------------|------------------|--------------------------|------------------|
| | Share Capital | Share Premium | Reverse Acquisition Reserve | Foreign Currency Translation Reserve | Accumulated Losses | | | |
| | £ | £ | £ | £ | £ | £ | £ | £ |
| As at 1 January 2019 | 2,657,470 | 909,472 | 708,951 | 882,511 | (4,755,008) | 403,396 | (1,303,321) | (899,925) |
| Effect of adopting IFRS16 | - | - | - | - | (3,018) | (3,018) | - | (3,018) |
| As at 1 January 2019, restated | 2,657,470 | 909,472 | 708,951 | 882,511 | (4,758,026) | 400,378 | (1,303,321) | (902,943) |
| Foreign currency translation | - | - | - | 11,718 | - | 11,718 | (12,789) | (1,071) |
| Profit/(Loss) for the period | - | - | - | - | 786,931 | 786,931 | (365,745) | 421,186 |
| As at 30 June 2019 | <u>2,657,470</u> | <u>909,472</u> | <u>708,951</u> | <u>894,229</u> | <u>(3,971,095)</u> | <u>1,199,027</u> | <u>(1,681,855)</u> | <u>(482,828)</u> |
| As at 1 July 2019 | 2,657,470 | 909,472 | 708,951 | 894,229 | (3,971,095) | 1,199,027 | (1,681,855) | (482,828) |
| Foreign currency translation | - | - | - | (54,970) | - | (54,970) | 12,958 | (42,012) |
| Profit/(Loss) for the period | - | - | - | - | 721,943 | 721,943 | 728,869 | 1,450,812 |
| Transaction with owners: Disposal of a subsidiary company | - | - | - | - | - | - | 928,767 | 928,767 |
| As at 31 Dec 2019 | <u>2,657,470</u> | <u>909,472</u> | <u>708,951</u> | <u>839,259</u> | <u>(3,249,152)</u> | <u>1,866,000</u> | <u>(11,261)</u> | <u>1,854,739</u> |
| As at 1 January 2020 | 2,657,470 | 909,472 | 708,951 | 839,259 | (3,249,152) | 1,866,000 | (11,261) | 1,854,739 |
| Foreign currency translation | - | - | - | 52,686 | - | 52,686 | (267) | 52,419 |
| Profit for the period | - | - | - | - | 1,066,435 | 1,066,435 | (418) | 1,066,017 |
| As at 30 June 2020 | <u>2,657,470</u> | <u>909,472</u> | <u>708,951</u> | <u>891,945</u> | <u>(2,182,717)</u> | <u>2,985,121</u> | <u>(11,946)</u> | <u>2,973,175</u> |

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of the respective shares net of share issue expenses.

The reverse acquisition reserve relates to the adjustment required by accounting for the reverse acquisition in accordance with IFRS 3.

The Company's assets and liabilities stated in the Statement of Financial Position were translated into Pound Sterling (£) using the closing rate as at the Statement of Financial Position date and the income statements were translated into £ using the average rate for

that period. All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Retained earnings represent the cumulative earnings of the Group attributable to equity shareholders.

Non-controlling interests represent the share of ownership of subsidiary companies outside the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

| | Six months Ended 30 June 2020 Unaudited £ | Six months Ended 30 June 2019 Unaudited £ | Financial year ended 31 Dec 2019 Audited £ |
|--|---|---|--|
| Cash flows from operating activities | | | |
| Cash generated from operations | 1,634,969 | 1,117,239 | 1,428,219 |
| Interest paid | (68,906) | (144,002) | (287,587) |
| Interest received | 45,890 | 41,725 | 97,617 |
| Tax paid | (133,882) | (2,813) | (184,491) |
| Tax refund | - | - | 196,205 |
| Net cash generated from operating activities | <u>1,478,071</u> | <u>1,012,149</u> | <u>1,249,963</u> |
| Cash flows (used in)/from investing activities | | | |
| Purchase of property, plant and equipment | (32,719) | (39,716) | (70,294) |
| Decrease/(Increase) in asset held for sale | - | 55,699 | - |
| Proceeds from disposal of property, plant and equipment | - | - | 1,890 |
| Net cash outflow for disposal of subsidiary company | - | - | (80,486) |
| Addition investment in associate company | - | - | (47,258) |
| Net cash (used in)/from investing activities | <u>(32,719)</u> | <u>15,983</u> | <u>(196,148)</u> |
| Cash flows used in financing activities | | | |
| Net change of banker acceptance | (27,017) | (2,671) | (398,175) |
| Repayment of lease liabilities | (118,702) | (87,381) | (317,999) |
| Repayment of term loan | (3,250) | (10,634) | (6,824) |
| Net cash used in financing activities | <u>(148,969)</u> | <u>(100,686)</u> | <u>(722,998)</u> |
| Increase in cash and cash equivalents | 1,296,383 | 927,446 | 330,817 |
| Effect of foreign exchange rate changes | 204,699 | (41,412) | (16,072) |
| Cash and cash equivalents at beginning of period/year | 4,423,063 | 4,108,318 | 4,108,318 |
| Cash and cash equivalents at end of period/year | <u>5,924,145</u> | <u>4,994,352</u> | <u>4,423,063</u> |

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The Group's interim financial statements for the six months ended 30 June 2020 were authorised for issue by the Board of Directors on 22 October 2020.

The interim financial statements are unaudited and have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB), as adopted by the European Union, and with those parts of the Companies (Jersey) Law 1991 applicable to companies preparing their financial statements under IFRS. It has been prepared in accordance with IAS 34 "Interim Financial Reporting" and does not include all of the information required for full annual financial statements. The financial statements have been prepared under the historical cost convention.

Full details of the accounting policies adopted, which are consistent with those disclosed in the Company's 2019 Annual Report, will be included in the audited financial statements for the year ending 31 December 2020.

2. Basis of consolidation

The consolidated statement of comprehensive income and statement of financial position include financial statements of the Company and its subsidiaries made up to 30 June 2020.

3. Nature of financial information

The unaudited interim financial information for the six months ended 30 June 2020 does not constitute statutory accounts under the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 31 December 2019 are extracted from the audited statutory financial statements. Full audited financial statements of the Group in respect of that financial year prepared in accordance with IFRS, which we received an unqualified audit opinion, have been delivered to the Registrar of Companies.

4. Functional and presentation currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the Group is Ringgit Malaysia (RM). The consolidated financial statements are presented in Pound Sterling (£), which is the Company's presentational currency as this is the currency used in the country in which the entity is listed.

Assets and liabilities are translated into Pound Sterling (£) at foreign exchange rates ruling at the Statement of Financial Position date. Results and cash flows are translated into Pound Sterling (£) using average rates of exchange for the period.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

The financial information set out below has been translated at the following rates:

| | Exchange rate (RM: £) | |
|-----------------------------|--|-----------------------------|
| | At Statement of Financial Position date | Average for year/ Period |
| Period ended 30 June 2020 | 5.26 | 5.36 |
| Period ended 30 June 2019 | 5.24 | 5.33 |
| Year ended 31 December 2019 | 5.38 | 5.29 |

5. Segmental analysis

The Group has two operating segments as follows:

- (a) Telecommunication services and electronic commerce solutions; and
- (b) Hardware

No segmental analysis of assets and capital expenditure are presented as they are mostly unallocated items which comprise corporate assets and liabilities. No geographical segment information is presented as more than 95% of the Group's revenue was generated in Malaysia.

| Group | Telecommunication services and electronic commerce solutions | Hardware | Elimination | Total |
|---|--|-----------|-------------|-------------|
| 6 months ended 30 June 2020 | £ | £ | £ | £ |
| Segment revenue: | | | | |
| Sales to external customers | 118,573,581 | 1,492,294 | (156,141) | 119,909,734 |
| | 118,573,581 | 1,492,294 | (156,141) | 119,909,734 |
| Profit before tax | 1,422,527 | - | - | 1,422,527 |
| Tax | (356,510) | - | - | (356,510) |
| Profit for the period | 1,066,017 | - | - | 1,066,017 |
| Non-cash expenses/(income)* | | | | |
| Depreciation of property, plant and equipment | 68,166 | - | - | 68,166 |
| Amortisation of intangible assets | 34,507 | - | - | 34,507 |
| Amortisation of right- of-use assets | 67,601 | - | - | 67,601 |
| | 170,274 | - | - | 170,274 |
| Group 6 months ended 30 June 2019 | | | | |
| Segment revenue: | | | | |
| Sales to external customers | 77,709,967 | 1,375,889 | (165,238) | 78,920,618 |
| | 77,709,967 | 1,375,889 | (165,238) | 78,920,618 |
| Profit before tax | 423,999 | - | - | 423,999 |
| Tax | (2,813) | - | - | (2,813) |
| Profit for the period | 421,186 | - | - | 421,186 |
| Non-cash expenses/(income)* | | | | |
| Depreciation of | 90,422 | - | - | 90,422 |

| | | | | |
|-------------------------------------|---------|---|---|---------|
| property, plant and equipment | | | | |
| Amortisation of intangible assets | 34,672 | - | - | 34,672 |
| Amortisation of right-of-use assets | - | - | - | - |
| | 125,094 | - | - | 125,094 |

Group
Financial year ended 31 Dec 2019

| | | | | |
|---|-------------|-----------|-----------|-------------|
| Segment revenue: | | | | |
| Sales to external customers | 166,796,343 | 2,907,507 | (291,186) | 169,412,664 |
| | 166,796,343 | 2,907,507 | (291,186) | 169,412,664 |
| Profit before tax | 1,083,176 | - | - | 1,083,176 |
| Tax | (108,674) | - | - | (108,674) |
| Profit for the year | 974,502 | - | - | 974,502 |
| Non-cash expenses/(income)* | | | | |
| Depreciation of property, plant and equipment | 151,255 | - | - | 151,255 |
| Amortisation of intangible assets | 69,897 | - | - | 69,897 |
| Amortisation of right-of-use assets | 109,067 | - | - | 109,067 |
| Impairment loss on goodwill | 4,130 | - | - | 4,130 |
| | 334,349 | - | - | 334,349 |

*The disclosure for non-cash expenses has not been split according to the different segments as the cost to obtain such information is excessive and provides very little by way of information.

6. Taxation

Taxation on the income statement for the financial period comprises current and deferred tax. Current tax is the expected amount of taxes payable in respect of the taxable profit for the financial period and is measured using the tax rates that have been enacted at the Statement of Financial Position date.

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of an asset or liability in the Statement of Financial Position and its tax base at the Statement of Financial Position date. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the Statement of Financial Position date. The carrying amount of a deferred tax asset is reviewed at each Statement of Financial Position date and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

7. Earnings per share

The basic earnings per share is calculated by dividing the profit in the six month period ended 30 June 2020 of £1,066,435 (30 June 2019: profit of £786,931 and year ended 31 December 2019: profit of £1,508,874) attributable to owners of the parent by the number of ordinary shares outstanding at 30 June 2020 of 106,298,780 (30 June 2019: 106,298,780 and 31 December 2019: 106,298,780).

The diluted earnings per share for the six month period ended 30 June 2020 is calculated using the number of shares adjusted to assume the conversion of all dilutive potential ordinary shares of 116,898,780 (on 5 December 2014, the Company granted share options of 10,600,000 shares at 2.5p to directors and certain employees of the Group).

8. Reconciliation of profit before tax to cash generated from operations

| | Six months ended 30 June 2020 Unaudited | Six months ended 30 June 2019 Unaudited | Financial year ended 31 Dec 2019 Audited |
|-------------------------------------|---|---|--|
| | £ | £ | £ |
| Cash flow from operating activities | | | |
| Profit before tax | 1,422,527 | 423,999 | 1,980,672 |
| Adjustments for: | | | |
| Amortisation of intangible assets | 34,507 | 34,672 | 69,897 |
| Amortisation of right-of-use assets | 67,601 | - | 109,067 |
| Impairment of goodwill | - | - | 4,130 |

| | | | |
|---|-----------|-----------|-------------|
| Depreciation of property, plant and equipment | 68,166 | 90,422 | 151,255 |
| Gain on disposal of subsidiary company | - | - | (1,105,535) |
| Gain on disposal of property, plant and equipment | - | - | (779) |
| (Gain)/Loss on foreign exchange - unrealised | (9,831) | - | 301 |
| Impairment investment in an associate company | - | - | 69,941 |
| Interest expenses | 68,906 | 144,002 | 287,587 |
| Inventories written off | - | - | 351 |
| Interest income | (45,890) | (41,725) | (97,617) |
| Property, plant and equipment written off | - | - | 7,657 |
| Share of profit in associated | - | - | (22,684) |
| Waiver of payable | - | - | (34,692) |
| Operating profit before working capital changes | 1,605,986 | 651,370 | 1,419,551 |
| (Increase)/Decrease in inventories | (728,728) | 63,788 | (367,596) |
| Increase in receivables | (319,033) | (180,055) | (662,199) |
| Increase in amount due to Directors & Shareholder | 16,102 | 208,794 | 142,023 |
| Amount due to/by related company | - | - | (130,353) |
| Increase in payables | 1,060,642 | 373,342 | 1,026,793 |
| Cash generated from operations | 1,634,969 | 1,117,239 | 1,428,219 |

9. Contingent liabilities

In the period under review, corporate guarantees of RM21.1 million (£4.01 million) (H1 2019: RM21.1 million (£4.03 million)) were given to a licensed bank by the Company for credit facilities granted to a subsidiary company.

10. Significant accounting policies

The interim consolidated financial statements have been prepared applying the same accounting policies that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2019 except for the adoption of new and amended reporting standards, which are effective for periods commencing on or after 1 January 2020. Various amendments to standards and interpretations of standards are effective for periods commencing on or after 1 January 2020 as detailed in the 2019 Annual Report, none of which have any impact on reported results.

Amortisation of intangible assets

Software is amortised over its estimated useful life. Management estimated the useful life of this asset to be within 10 years. Changes in the expected level of usage and technological development could impact the economic useful life therefore future amortisation could be revised.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimation of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The research and development costs are amortised on a straight-line basis over the life span of the developed assets. Management estimated the useful life of these assets to be within 5 years. Changes in the technological developments could impact the economic useful life and the residual values of these assets, therefore future amortisation charges could be revised.

Impairment of goodwill on consolidation

The Group's cash flow projections include estimates of sales. However, if the projected sales do not materialise there is a risk that the value of goodwill would be impaired.

The Directors have carried out a detailed impairment review in respect of goodwill. The Group assesses at each reporting date whether there is an indication that an asset may be impaired, by considering cash flows forecasts. The cash flow projections are based on the assumption that the Group can realise projected sales. A prudent approach has been applied with no residual value being factored. At the period end, based on these assumptions there was no indication of impairment of the value of goodwill or of development costs.

Research and development costs

All research costs are recognised in the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the

ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised through other operating expenses in the income statement using the straight-line basis over the commercial lives of the underlying products not exceeding 5 years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each Statement of Financial Position date.

11. Dividends

The Company has not proposed or declared an interim dividend.

12. Interim report

This interim financial statement will, in accordance with Rule 26 of the AIM Rules for Companies, be available shortly on the Company's website at www.mobilityone.com.my.

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