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i-CONTROL HOLDINGS LIMITED

超智能控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1402)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of i-Control Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2020, together with the comparative figures for the year ended 31 March 2019:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	158,504	185,714
Cost of inventories sold including installation cost		(90,856)	(112,399)
Staff cost		(35,448)	(34,221)
Depreciation		(3,375)	(3,249)
Other income and net gain	4	144	387
Other operating expenses		(6,706)	(6,612)
Finance costs	6	(1,149)	(1,083)
Transfer of listing expenses		(14,957)	–
Profit before taxation		6,157	28,537
Income tax expenses	7	(3,536)	(5,034)
Profit for the year attributable to owners of the Company	8	2,621	23,503
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		(136)	(258)
Total comprehensive income for the year attributable to owners of the Company		2,485	23,245
Earnings per share			
Basic and diluted	9	HK0.26 cents	HK2.35 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property and equipment		86,471	89,117
Investment property		1,529	1,568
Deferred tax assets		622	388
		<u>88,622</u>	<u>91,073</u>
Current assets			
Inventories		11,343	11,518
Trade receivables and contract assets	<i>11</i>	37,681	55,727
Prepayments, deposits and other receivables		1,461	1,539
Tax recoverables		144	43
Bank balances and cash		70,936	76,636
		<u>121,565</u>	<u>145,463</u>
Current liabilities			
Trade payables	<i>12</i>	18,555	25,159
Other payables and accruals		18,614	22,175
Lease liability		97	–
Bank borrowings	<i>13</i>	30,838	35,259
Tax payables		–	2,472
		<u>68,104</u>	<u>85,065</u>
Net current assets		<u>53,461</u>	<u>60,398</u>
Total assets less current liabilities		<u>142,083</u>	<u>151,471</u>
Non-current liability			
Deferred tax liabilities		<u>1,023</u>	<u>896</u>
Net assets		<u><u>141,060</u></u>	<u><u>150,575</u></u>
Capital and reserves			
Share capital	<i>14</i>	10,000	10,000
Reserves		<u>131,060</u>	<u>140,575</u>
Total equity		<u><u>141,060</u></u>	<u><u>150,575</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March 2020

	Attributable to the owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	
At 1 April 2018	10,000	55,344	10,817	148	59,021	135,330
Profit for the year	–	–	–	–	23,503	23,503
Other comprehensive income for the year:						
Exchange differences arising on translating foreign operations	–	–	–	(258)	–	(258)
Total comprehensive income for the year	–	–	–	(258)	23,503	23,245
Dividend (<i>note 10</i>)	–	(8,000)	–	–	–	(8,000)
At 31 March 2019 and 1 April 2019	10,000	47,344	10,817	(110)	82,524	150,575
Profit for the year	–	–	–	–	2,621	2,621
Other comprehensive income for the year:						
Exchange differences arising on translating foreign operations	–	–	–	(136)	–	(136)
Total comprehensive income for the year	–	–	–	(136)	2,621	2,485
Dividend (<i>note 10</i>)	–	(12,000)	–	–	–	(12,000)
At 31 March 2020	10,000	35,344	10,817	(246)	85,145	141,060

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2020

1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands on 21 August 2014 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The registered office of the Company is Ocorian Trust (Cayman) Limited (formerly known as Estera Trust (Cayman) Limited), PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and its headquarters and principal place of business in Hong Kong is Units A&B, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 27 May 2015. On 18 December 2019, the listing of shares was transferred from GEM to the Main Board of the Stock Exchange. The Directors consider that the immediate and ultimate holding company is Phoenix Time Holdings Limited which is incorporated in the British Virgin Islands (the “**BVI**”). Its ultimate controlling party is Mr. Zhong Naixiong.

The Company is engaged in investment holding while its principal subsidiaries are principally engaged in provision of multimedia audio-visual solutions and related system integration services.

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The consolidated financial statements are presented in Hong Kong dollars (the “**HK\$**”), which is the Company’s functional and presentation currency. Other than the subsidiaries established in the People’s Republic of China (the “**PRC**”) and Singapore whose functional currency is Renminbi and Singapore dollar respectively, the functional currency of the Company and other subsidiaries is HK\$.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and interpretations (“**Int(s)**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

HKFRS 16	Leases
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
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments

The adoption of HKFRS 16 resulted in the changes in the Group’s accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarises below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liability in relation to lease which had previously been classified as 'operating lease' under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). 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. The weighted average lessee's incremental borrowing rate applied to the lease liability on 1 April 2019 was 2.82%.

The Group recognises right-of-use asset and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group as lessor

The Group leases a property. The accounting policies applicable to the Group as lessor are not different from those under HKAS 17.

The following table summarises the impact of transition to HKFRS 16 at 1 April 2019. Line items that were not affected by the adjustments have not been included.

		Carrying amount previously reported at 31 March 2019	Impact on adoption of HKFRS 16	Carrying amount as restated at 1 April 2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Property and equipment (including right-of-use asset)</u>	<i>a</i>	89,117	222	89,339
<u>Lease liability</u>	<i>a</i>	—	222	222

Note:

- (a) As at 1 April 2019, right-of-use asset was measured at an amount equal to the lease liability of approximately HK\$222,000.

Differences between operating lease commitment as at 31 March 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liability recognised as at 1 April 2019 are as follow:

	<i>HK\$'000</i>
Operating lease commitments as at 31 March 2019	355
Recognition exemption for short-term leases	(124)
	231
Discounting effect using the incremental borrowing rate as at 1 April 2019	(9)
	222
Analysed as	
Current portion	125
Non-current portion	97
	222

Practical expedients applied

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- not to assess the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁵
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹

¹ Effective for annual periods beginning on or after 1 January 2020.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 June 2020.

The Directors anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the consolidated financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. REVENUE AND OTHER INCOME AND NET GAIN

Revenue represents the amounts received and receivable for services rendered in the normal course of business, net of discounts and sales related taxes and maintenance services income. Analysis of the Group’s revenue and other income and net gain is as follows:

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service line		
– Video conferencing and multimedia audiovisual (“VCMA”) solution services	141,172	169,649
– VCMA maintenance services	17,332	16,065
	<u>158,504</u>	<u>185,714</u>
Disaggregation of revenue by timing of recognition		
	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Timing of revenue recognition		
At a point in time	141,172	169,649
Over time	17,332	16,065
	<u>158,504</u>	<u>185,714</u>
Total revenue from contracts with customers		
	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Other income and net gain		
Bank interest income	73	44
Net exchange gain (loss)	68	(53)
Gross rental income from investment property (<i>note</i>)	6	396
Write off of property and equipment	(3)	–
	<u>144</u>	<u>387</u>

Note: No direct operating expenses incurred for investment property that generated rental income.

5. SEGMENT INFORMATION

The Directors consider that there is only one operating and reportable business segment for the Group, being the provision of VCMA solution services and VCMA maintenance services. This operating segment is reported in a manner consistent with the information reported to the Board, being the chief operating decision maker, for the purposes of resources allocation and performance assessment.

Geographical information

The Group's operations are located in Hong Kong (place of domicile), the PRC and Singapore. The Group's customers are mainly located in Hong Kong, the PRC and Macau.

An analysis of the Group's revenue from external customers is presented based on the location of customers as below:

	Revenue from external customers	
	2020 HK\$'000	2019 HK\$'000
Hong Kong (place of domicile)	155,328	180,018
The PRC	2,451	3,865
Macau	725	1,268
Singapore	–	563
	<u>158,504</u>	<u>185,714</u>

The Group's information about its non-current assets is presented based on location of the assets as below:

	Non-current assets	
	2020 HK\$'000	2019 HK\$'000
Hong Kong (place of domicile)	87,994	90,679
The PRC	6	6
	<u>88,000</u>	<u>90,685</u>

Note: Non-current assets excluded deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2020 HK\$'000	2019 HK\$'000
Customer A	<u>16,061</u>	<u>37,396</u>

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expenses on bank borrowings	1,142	1,083
Interest on lease liability	7	–
	<u>1,149</u>	<u>1,083</u>

7. INCOME TAX EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
– Hong Kong Profits Tax	3,759	4,990
– PRC Enterprise Income Tax	54	–
	<u>3,813</u>	4,990
(Over) under provision in prior year		
– Hong Kong Profits Tax	(170)	(17)
– PRC Enterprise Income Tax	–	55
	<u>(170)</u>	38
	<u>3,643</u>	5,028
Deferred taxation	<u>(107)</u>	6
Total income tax expenses for the year	<u>3,536</u>	<u>5,034</u>

- i) Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the year ended 31 March 2020, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime continue to be taxed at the flat rate of 16.5%.
- ii) Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, PRC Enterprises Income Tax is calculated at 25% of the estimated assessable profits for the years ended 31 March 2020 and 2019.
- iii) The Singapore subsidiary is in loss-making position for the current year and accordingly does not have any provision for Singapore Corporate Tax at 17% for the years ended 31 March 2020 and 2019.
- iv) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

The income tax expenses for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before taxation	<u>6,157</u>	<u>28,537</u>
Tax at domestic income tax rate of 16.5% (2019: 16.5%)	1,016	4,709
Effect of different tax rate of subsidiaries operating in other jurisdictions	19	(69)
Tax effect of two-tiered profits tax rates regime	(165)	(165)
Tax effect of expense not deductible for tax purposes	2,777	423
Tax effect of income not taxable for tax purposes	(12)	(3)
Tax effect of tax loss not recognised	204	185
Utilisation of taxes losses previously not recognised	(62)	–
Tax exemption (<i>note</i>)	(71)	(84)
(Over) under provision in prior year	<u>(170)</u>	<u>38</u>
Income tax expenses for the year	<u>3,536</u>	<u>5,034</u>

Note: Tax exemption represented a reduction of Hong Kong Profits Tax for the year of assessment 2019/2020 and 2018/2019 by 100%, subject to a ceiling of HK\$20,000.

8. PROFIT FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	8,249	6,924
Salaries (excluding directors' emoluments)	26,079	26,210
Retirement benefit scheme contributions (excluding directors' emoluments)	<u>1,120</u>	<u>1,087</u>
Total staff costs	<u>35,448</u>	<u>34,221</u>
Cost of inventories sold including installation cost	90,856	112,399
Reversal of provision for write-down of inventories included in cost of inventories sold including installation cost	(198)	(77)
Provision for write-down of inventories included in cost of inventories sold including installation cost	1,499	729
Depreciation for property and equipment and right-of-use asset	3,336	3,050
Depreciation for investment property	39	199
Operating lease rentals in respect of rented premises	–	603
Auditor's remuneration	<u>586</u>	<u>698</u>

9. EARNINGS PER SHARE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>2,621</u>	<u>23,503</u>
	2020 <i>'000</i>	2019 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,000,000</u>	<u>1,000,000</u>

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2020 and 2019.

10. DIVIDEND

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividend recognised as distribution during the year		
2019 Final dividend – HK1.2 cents per share (2019: 2018 Final dividend – HK0.8 cents per share)	<u>12,000</u>	<u>8,000</u>

Dividend of HK\$12,000,000 was paid during the year ended 31 March 2020 (2019: HK\$8,000,000). Subsequent to the end of the reporting period, a final dividend of HK0.9 cents (2019: HK1.2 cents) per share in respect of the year ended 31 March 2020 has been proposed by the Directors and is subject to approval by the shareholders of the Company (the “Shareholders”) at the forthcoming annual general meeting of the Company (“AGM”).

11. TRADE RECEIVABLES AND CONTRACT ASSETS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	37,367	53,851
Contract assets	<u>314</u>	<u>1,876</u>
	<u>37,681</u>	<u>55,727</u>

As at 31 March 2020, the gross amount of trade receivables and contract assets arising from contracts with customers amounted to approximately HK\$37,681,000 (2019: HK\$55,727,000) of which approximately HK\$314,000 (2019: HK\$1,876,000) represented contract assets.

Contract assets are initially recognised for certain amount of revenue earned from provision of VCMA solution services as receipt of consideration is conditional on successful completion of retention period ranging from 1-5 years. The contract assets are transferred to trade receivables when the rights become unconditional. Upon completion of retention period, the amounts recognised as contract assets are reclassified to trade receivables. At 31 March 2020, contract assets of approximately HK\$267,000 (2019: HK\$275,000) are expected to be recovered after one year from the end of reporting period.

The Group generally allows an average credit period of 30 days to the customers. The following is an ageing analysis of trade receivables, presented based on date of acknowledgement of receipt of goods by customers, which approximated the respective revenue recognition dates, at the end of the reporting period.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	11,569	20,480
31 to 60 days	4,977	12,572
61 to 120 days	6,884	8,073
121 to 365 days	11,185	11,216
Over 365 days	2,752	1,510
	<u>37,367</u>	<u>53,851</u>

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limit. Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

The Group measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience and creditworthiness of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The expected credit losses on contract assets are estimated based on past default experience on amounts not yet past due.

No loss allowance was made on the balances during the years ended 31 March 2020 and 2019 as the loss rate is close to zero.

12. TRADE PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	18,555	25,159

An ageing analysis of trade payables presented based on the date of recognition at the end of the reporting period is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 60 days	8,914	11,812
61 to 90 days	1,172	5,423
Over 90 days	8,469	7,924
	<u>18,555</u>	<u>25,159</u>

The average credit period on purchase of goods is 30 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

13. BANK BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Secured mortgage loans	<u>30,838</u>	<u>35,259</u>
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	4,421	4,421
More than one year but not exceeding two years	21,481	4,421
More than two years but not exceeding five years	4,439	24,440
After five years	<u>497</u>	<u>1,977</u>
	<u>30,838</u>	<u>35,259</u>
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	26,417	30,838
Carrying amount repayable within one year	<u>4,421</u>	<u>4,421</u>
Amounts shown under current liabilities	<u>30,838</u>	<u>35,259</u>

14. SHARE CAPITAL

	Number of share	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised		
At 31 March 2019, 1 April 2019 and 31 March 2020	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid		
At 31 March 2019, 1 April 2019 and 31 March 2020	<u>1,000,000,000</u>	<u>10,000</u>

15. OPERATING LEASE COMMITMENT

The Group as lessee

As at 31 March 2019, the Group had future minimum lease payments under non-cancellable short-term leases for its warehouses and offices under HKAS 17 which fall due as follows:

	2019 <i>HK\$'000</i>
Within one year	256
After one year but within five years	99
	<hr/>
	355
	<hr/> <hr/>

As at 31 March 2019, operating lease payments represent rentals payable by the Group for certain of its warehouses and offices. Leases are negotiated for an average term of one to three years.

The Group is the lessee in respect of properties which the leases were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 April 2019 to recognise lease liability relating to these leases (see note 2). From 1 April 2019 onwards, future lease payments are recognised as lease liability in the consolidated statement of financial position in accordance with HKFRS 16.

As at 31 March 2020, the Group had future minimum lease payments under non-cancellable short-term leases under HKFRS 16 which fall due as follows:

	2020 <i>HK\$'000</i>
Committed and commenced	112
	<hr/> <hr/>

The Group as lessor

The Group leases out investment property under operating leases. The leases typically run for an initial period of one year. Lease payments are usually increased every one year to reflect market rentals. None of the leases includes variable lease payments.

As at 31 March 2020, no lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods.

As at 31 March 2019, the Group had contracted with tenant for the following future minimum lease payments:

	2019 <i>HK\$'000</i>
Within one year	11
	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Group maintained its market position as one of the leading service providers of VCMA solutions in Hong Kong. The Group's services can be divided into two lines, namely the provision of (i) VCMA solution services; and (ii) VCMA maintenance services.

The Group continued to expand its market share in the VCMA solution industry in the PRC by expanding its coverage of sales and marketing as well as engineering and maintenance in the PRC market.

FINANCIAL REVIEW

Segment analysis

	Year ended 31 March 2020		Year ended 31 March 2019	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
VCMA solution services	141,172	89.1	169,649	91.3
VCMA maintenance services	17,332	10.9	16,065	8.7
Total	<u>158,504</u>	<u>100.0</u>	<u>185,714</u>	<u>100.0</u>

Revenue

The Group's revenue decreased by 14.7% from approximately HK\$185,714,000 for the year ended 31 March 2019 to approximately HK\$158,504,000 for the year ended 31 March 2020.

Revenue generated from VCMA solution services decreased by approximately 16.8% from approximately HK\$169,649,000 for the year ended 31 March 2019 to approximately HK\$141,172,000 for the year ended 31 March 2020, which was mainly attributable to the completion of less sizable projects during the year ended 31 March 2020 and the outbreak of COVID-19 in Hong Kong and the PRC during the first quarter of 2020.

Revenue generated from VCMA maintenance services increased by approximately 7.9% from approximately HK\$16,065,000 for the year ended 31 March 2019 to approximately HK\$17,332,000 for the year ended 31 March 2020, which was primarily attributable to the increase in total maintenance projects after the completion of related projects of VCMA solution services.

Gross operating profit and gross operating profit margin

Gross operating profit is calculated based on the revenue for the year minus the cost of inventories sold including installation cost for the year. Gross operating profit margin is calculated based on the gross operating profit for the year divided by the revenue for the year multiplied by 100%.

Gross operating profit decreased by 7.7% from approximately HK\$73,315,000 for the year ended 31 March 2019 to approximately HK\$67,648,000 for the year ended 31 March 2020 which was in line with the decrease in revenue for the year.

The gross operating profit margin increased slightly to approximately 42.7% for the year ended 31 March 2020 (2019: 39.5%).

Staff cost

Staff cost increased by 3.6% from approximately HK\$34,221,000 for the year ended 31 March 2019 to approximately HK\$35,448,000 for the year ended 31 March 2020 mainly due to overall salary increment.

Depreciation

Depreciation expenses remained stable at approximately HK\$3,375,000 for the year ended 31 March 2020 (2019: HK\$3,249,000).

Other operating expenses

Other operating expenses increased by 1.4% from approximately HK\$6,612,000 for the year ended 31 March 2019 to approximately HK\$6,706,000 for the year ended 31 March 2020 mainly due to increase in exhibition and promotion expenses.

Finance costs

Finance costs increased by 6.1% from approximately HK\$1,083,000 for the year ended 31 March 2019 to approximately HK\$1,149,000 for the year ended 31 March 2020 as the general interest rate had increased during the year.

Transfer of listing expenses

During the year ended 31 March 2020, approximately HK\$14,957,000 of transfer of listing expenses were incurred in relation to the transfer of listing of the shares of the Company from GEM to the Main Board of the Stock Exchange (“**Main Board Transfer**”).

Income tax expenses

Income tax expenses decreased from approximately HK\$5,034,000 for the year ended 31 March 2019 to approximately HK\$3,536,000 for the year ended 31 March 2020, which was mainly due to a decrease in taxable profit in Hong Kong for the year.

Profit for the year

Profit for the year decreased from approximately HK\$23,503,000 for the year ended 31 March 2019 to approximately HK\$2,621,000 for the year ended 31 March 2020, which was mainly due to (i) decrease in revenue and gross operating profit and (ii) transfer of listing expenses incurred in relation to the Main Board Transfer during the year. Excluding the transfer of listing expenses, the Group's adjusted profit for the year ended 31 March 2020 would be approximately HK\$17,578,000, representing a decrease of approximately 25.2% as compared to the previous year.

DIVIDEND

The Board has proposed a payment of final dividend of HK0.9 cents per share for the year ended 31 March 2020, amounting to HK\$9,000,000 in total (2019: HK1.2 cents per share, amounting to HK\$12,000,000 in total).

The proposed final dividend will be payable to Shareholders whose names appear on the register of members of the Company on 19 August 2020, and are expected to be paid on 11 September 2020. There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's operations and investments were financed principally by cash generated from its own business operations, bank borrowings and proceeds from issue of new shares. As at 31 March 2020, the Group had net current assets of approximately HK\$53,461,000 (2019: HK\$60,398,000) and cash and cash equivalents of approximately HK\$70,936,000 (2019: HK\$76,636,000). Current liabilities of the Group as at 31 March 2020 included carrying amount of approximately HK\$26,417,000 (2019: HK\$30,838,000) in bank borrowings that were not repayable within one year from the end of reporting period but contained a repayment on demand clause.

GEARING RATIO

As at 31 March 2020, the gearing ratio (calculated on the basis of total debt divided by total assets) of the Group was approximately 14.7% (2019: 14.9%).

FOREIGN CURRENCY RISK

The majority of the Group's business transactions are in Hong Kong and are denominated in Hong Kong dollars. The Group currently does not have a foreign currency hedging policy. However, the Directors will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

CAPITAL COMMITMENT

As at 31 March 2020, the Group did not have material capital commitments (2019: nil).

CAPITAL STRUCTURE

The Company's shares ("Shares") were listed on GEM since 27 May 2015 (the "Listing"). On 18 December 2019, the Company successfully transferred the listing of its Shares from GEM to the Main Board of the Stock Exchange. There has been no change in the Company's capital structure since the date of Listing and up to the date of this announcement.

The capital structure of the Group consists of net debt, which includes bank borrowings, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves. The Directors review the Group's capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, issuance of new Shares as well as issue of new debts or convertible securities or through repayment of borrowings.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any plans for material investments or capital assets as of 31 March 2020.

CHARGE ON THE GROUP'S ASSETS

As at 31 March 2020, land and buildings of approximately HK\$85,417,000 (2019: HK\$88,048,000) were pledged to secure banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 31 March 2020 (2019: nil).

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Group has set up system and allocated resources to ensure ongoing compliance with rules and regulations. During the year, the Group has complied, to the best of the Directors' knowledge, with the Securities and Futures Ordinance, the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"), the Listing Rules, the applicable employment laws both in the PRC and Hong Kong, the local standards and regulations for the Group's project works as well as other relevant rules and regulations.

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

ENVIRONMENTAL POLICY

The Group is committed to maintaining itself as an environmental-friendly corporation by minimizing environmental impact with electricity saving and resources recycling. During the year, to the best of the Directors' knowledge, the Group had not experienced any material environmental incidents arising from its operation. During the year, no material administrative sanctions or penalties were imposed upon the Group's operation for the violation of environmental laws or regulations which had an adverse impact on its operation.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 March 2020, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group employed 70 (2019: 73) full-time employees. The remuneration policy of the Group to reward its employees and executives is based on their performance, qualifications, working experience, competence displayed with reference to selected comparable market remuneration data.

USE OF PROCEEDS

The net proceeds from the Company's issue of 250,000,000 new Shares at the placing price of HK\$0.36 per share at the time of the Listing (the "**Placing**"), after deducting the underwriting fees and other expenses, amounted to approximately HK\$66.3 million. On 30 March 2017, the Board resolved to implement a partial reallocation and change in use of net proceeds from the Placing to enhance the effectiveness of the Group's business operation.

The following table sets forth the status of the use of proceeds from the Placing:

	Planned use of proceeds as stated in the prospectus dated 14 May 2015 <i>HK\$' million</i>	Change in use of proceeds resolved on 30 March 2017 <i>HK\$' million</i>	Planned use of proceeds subsequent to the change <i>HK\$' million</i>	Actual use of proceeds up to 31 March 2020 <i>HK\$' million</i>
To recruit experienced sales staff to expand the VCMA solution business in Hong Kong	11.5	4.4	15.9	15.9
To acquire a new warehouse in Hong Kong	32.7	5.0	37.7	37.7
To set up new regional offices with showrooms in Beijing, Shanghai and Singapore	13.7	(11.4)	2.3	2.3
To carry out marketing and promotion activities on both traditional and new media platforms to improve public awareness of the Group and further strengthen its position in Hong Kong, the PRC and Singapore	2.4	–	2.4	2.4
To upgrade the computer system and other office facilities	–	2.0	2.0	0.8
For working capital and other general corporate purposes	6.0	–	6.0	6.0
TOTAL	66.3	–	66.3	65.1

The unused net proceeds from the Placing amounting to approximately HK\$1.21 million were deposited in licensed banks in Hong Kong.

The Directors will constantly evaluate the Group's business objectives and may change or modify the Group's plans against changing market conditions to attain sustainable business growth of the Group. In the event that the Directors consider it necessary to further change the use of net proceeds from the Placing, the Company will make an appropriate announcement in accordance with the relevant provisions of the Listing Rules.

For further details, please refer to the Company's announcement dated 30 March 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2020, none of the Company and its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the core elements of good corporate governance in the management structure and internal control procedures of the Group could help to balance the interest of the Shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) in Appendix 15 of the GEM Listing Rules (applicable to the Company prior to the Main Board Transfer) and Appendix 14 of the Listing Rules (applicable to the Company immediately after the Main Board Transfer) to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner.

To the best knowledge of the Board, the Company has complied with the CG Code during the year ended 31 March 2020 and up to the date of this announcement.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the “**Model Code**”) on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (applicable to the Company prior to the Main Board Transfer) and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (applicable to the Company immediately after the Main Board Transfer). The Company, having made specific enquiry of all Directors, was not aware of any non-compliance with the Model Code during the year ended 31 March 2020.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Directors have recommended the payment of a final dividend out of the share premium account under reserves of the Company of HK0.9 cents (2019: HK1.2 cents) per share to the Shareholders whose names are on the register of members of the Company on Wednesday, 19 August 2020. Subject to approval by the Shareholders at the AGM and compliance with the Companies Law of the Cayman Islands, the final dividend will be paid on Friday, 11 September 2020, and the register of members of the Company will be closed from Monday, 17 August 2020 to Wednesday, 19 August 2020, both dates inclusive, for determination of entitlement of the final dividend, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 14 August 2020.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM is scheduled to be held on Friday, 7 August 2020. A notice convening the AGM will be issued and despatched to Shareholders on Wednesday, 8 July 2020.

The register of members of the Company will be closed from Tuesday, 4 August 2020 to Friday, 7 August 2020 (both dates inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 3 August 2020.

EVENT AFTER REPORTING PERIOD

The Board is not aware of any material event after the end of the reporting period and up to the date of this announcement that requires disclosure.

SCOPE OF WORK OF EXTERNAL AUDITOR

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statements of changes in equity and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited ("SHINEWING"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2020. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by SHINEWING on the preliminary announcement.

AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”) on 11 May 2015, which operates under a terms of reference approved by the Board. It is the Board’s responsibility to ensure that an appropriate and effective risk management and internal control systems exist within the Group. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the initial establishment and the maintenance of risk management and internal control system and ethical standards for the Group’s management to the Audit Committee. The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 March 2020.

By Order of the Board
i-Control Holdings Limited
Zhong Naixiong
Chairman

Hong Kong, 24 June 2020

As at the date of this announcement, the executive Directors are Mr. Zhong Naixiong, Mr. Yau Wing Keung, Mr. Tong Sai Wong, Mr. Chan Wing Yiu and Mr. Chan Wing Lun; the non-executive Director is Dr. Wong King Keung and the independent non-executive Directors are Mr. Fong Chi, Mr. Fung Chan Man Alex, Mr. Lum Pak Sum and Mr. Mong Cheuk Wai.