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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of i-Control Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2020, together with the comparative unaudited figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended	
		30 September	
		2020	2019
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	75,270	85,586
Cost of inventories sold including installation cost		(44,767)	(48,539)
Staff cost		(16,805)	(16,940)
Depreciation		(1,715)	(1,681)
Other income and net gain	3	2,457	93
Other operating expenses		(3,424)	(3,455)
Finance costs	5	(354)	(599)
Transfer listing expenses		–	(10,987)
Profit before taxation		10,662	3,478
Income tax expenses	6	(1,167)	(2,348)
Profit for the period		9,495	1,130
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		(2)	(81)
Total comprehensive income for the period		9,493	1,049
Earnings per share			
Basic and diluted	8	HK0.95 cents	HK0.11 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	<i>Notes</i>	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Non-current assets			
Property and equipment	<i>9</i>	86,297	86,471
Investment property	<i>9</i>	–	1,529
Deferred tax assets		419	622
		<hr/> 86,716	<hr/> 88,622
Current assets			
Inventories		9,155	11,343
Trade receivables and contract assets	<i>10</i>	41,786	37,681
Prepayments, deposits and other receivables		1,654	1,461
Tax recoverables		262	144
Bank balances and cash		56,332	70,936
		<hr/> 109,189	<hr/> 121,565
Current liabilities			
Trade payables	<i>11</i>	13,034	18,555
Other payables and accruals		11,548	18,614
Lease liability	<i>12</i>	32	97
Bank borrowings	<i>13</i>	28,627	30,838
Tax payables		251	–
		<hr/> 53,492	<hr/> 68,104
Net current assets		<hr/> 55,697	<hr/> 53,461
Total assets less current liabilities		<hr/> 142,413	<hr/> 142,083
Non-current liability			
Deferred tax liabilities		860	1,023
Net assets		<hr/> 141,553	<hr/> 141,060
Capital and reserves			
Share capital	<i>14</i>	10,000	10,000
Reserves		131,553	131,060
Total equity		<hr/> 141,553	<hr/> 141,060

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to the owners of the Company					Total <i>HK\$'000</i>
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	
At 1 April 2019 (audited)	10,000	47,344	10,817	(110)	82,524	150,575
Profit for the period	–	–	–	–	1,130	1,130
Other comprehensive income for the period:						
Exchange differences arising on translating foreign operations	–	–	–	(81)	–	(81)
	–	–	–	(81)	–	(81)
Total comprehensive income for the period	–	–	–	(81)	1,130	1,049
2019 final dividend paid (<i>note 7</i>)	–	(12,000)	–	–	–	(12,000)
	–	(12,000)	–	–	–	(12,000)
At 30 September 2019 (unaudited)	10,000	35,344	10,817	(191)	83,654	139,624
At 1 April 2020 (audited)	10,000	35,344	10,817	(246)	85,145	141,060
Profit for the period	–	–	–	–	9,495	9,495
Other comprehensive income for the period:						
Exchange differences arising on translating foreign operations	–	–	–	(2)	–	(2)
	–	–	–	(2)	–	(2)
Total comprehensive income for the period	–	–	–	(2)	9,495	9,493
2020 final dividend paid (<i>note 7</i>)	–	(9,000)	–	–	–	(9,000)
	–	(9,000)	–	–	–	(9,000)
At 30 September 2020 (unaudited)	10,000	26,344	10,817	(248)	94,640	141,553

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	<u>(2,985)</u>	<u>(2,367)</u>
Investing activities		
Acquisition of property and equipment	(12)	(39)
Bank interest received	<u>25</u>	<u>63</u>
Net cash from investing activities	<u>13</u>	<u>24</u>
Financing activities		
Dividend paid	(9,000)	(12,000)
Repayment of bank borrowings	(2,211)	(2,211)
Interest paid	(353)	(596)
Capital element of repayment of lease liability	(65)	(62)
Interest element of repayment of lease liability	<u>(1)</u>	<u>(3)</u>
Net cash used in financing activities	<u>(11,630)</u>	<u>(14,872)</u>
Net decrease in cash and cash equivalents	(14,602)	(17,215)
Cash and cash equivalents at the beginning of the period	70,936	76,636
Effect of foreign exchange rate changes	<u>(2)</u>	<u>(81)</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u>56,332</u>	<u>59,340</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF FINANCIAL INFORMATION

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 PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and its principal place of business is Units A&B, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. 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.

The Company's shares ("Shares") have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 27 May 2015 (the "Listing"). 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 Company's 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's financial statements are presented in Hong Kong dollars ("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. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2020, except as described below.

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards ("HKFRSs"), the amendments to Hong Kong Accounting Standards ("HKASs") and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for the Group's financial year beginning 1 April 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS and the amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND OTHER INCOME AND NET GAIN

Revenue represents the amounts received and receivable from provision of video conferencing and multimedia audiovisual (“VCMA”) solution services and VCMA maintenance services, net of discounts and sales related taxes. Analysis of the Group’s revenue and other income and net gain is as follows:

	Six months ended 30 September	
	2020 <i>HK\$’000</i> (Unaudited)	2019 <i>HK\$’000</i> (Unaudited)
Disaggregated by major products or service line:		
– VCMA solution services	65,734	76,852
– VCMA maintenance services	9,536	8,734
	<u>75,270</u>	<u>85,586</u>

Disaggregation of revenue by timing of recognition

	Six months ended 30 September	
	2020 <i>HK\$’000</i> (Unaudited)	2019 <i>HK\$’000</i> (Unaudited)
Timing of revenue recognition		
At a point in time	65,734	76,852
Over time	9,536	8,734
	<u>75,270</u>	<u>85,586</u>
Total revenue from contracts with customers	<u>75,270</u>	<u>85,586</u>

	Six months ended 30 September	
	2020 <i>HK\$’000</i> (Unaudited)	2019 <i>HK\$’000</i> (Unaudited)
Other income and net gain		
Government subsidy (<i>note a</i>)	2,312	–
Bank interest income	25	63
Exchange gain	120	27
Gross rental income from investment properties (<i>note b</i>)	–	6
Write-off of property and equipment	–	(3)
	<u>2,457</u>	<u>93</u>

Notes :

- (a) The amount primarily represents a cash subsidy of Employment Support Scheme of approximately HK\$2,312,000 (2019: nil) granted by The Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund for relieving financial burdens of the businesses. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.
- (b) No direct operating expenses incurred for investment properties that generated rental income.

4. 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 purpose 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:

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Hong Kong (place of domicile)	73,923	83,934
The PRC (other than Hong Kong and Macau)	979	1,345
Macau	368	307
	<u>75,270</u>	<u>85,586</u>

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

	30 September	31 March
	2020 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Hong Kong (place of domicile)	86,291	87,994
The PRC (other than Hong Kong and Macau)	6	6
	<u>86,297</u>	<u>88,000</u>

Note: Non-current assets excluded deferred tax assets.

5. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on bank borrowings	353	596
Interest on lease liability	1	3
	<u>354</u>	<u>599</u>

6. INCOME TAX EXPENSES

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong Profits Tax	1,123	2,270
– PRC Enterprise Income Tax	4	50
Deferred taxation	40	28
Total income tax expenses for the period	<u>1,167</u>	<u>2,348</u>

Under the two-tiered profits tax rates regime, 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 six months ended 30 September 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%. For the six months ended 30 September 2019, Hong Kong Profits Tax was calculated at the same basis.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, PRC Enterprise Income Tax is calculated at 25% (2019: 25%) of the estimated assessable profits for the six months ended 30 September 2020.

The Singapore subsidiary is in loss-making position for the six months ended 30 September 2020 and 2019 and accordingly does not have any provision for Singapore Corporate Tax at 17%.

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.

7. DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 September 2020 (2019: nil).

The payment of a final dividend of HK0.9 cents per share amounted to HK\$9,000,000 for the year ended 31 March 2020 (2019: HK1.2 cents per share amounted to HK\$12,000,000) was resolved and declared at the annual general meeting of the Company held on 7 August 2020. The date of payment was on 11 September 2020.

8. EARNINGS PER SHARE

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>9,495</u>	<u>1,130</u>

	Six months ended 30 September	
	2020	2019
	'000	'000
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 six months ended 30 September 2020 and 2019.

9. MOVEMENTS IN PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY

During the six months ended 30 September 2020, the Group acquired approximately HK\$12,000 (2019: HK\$39,000) of property and equipment and approximately HK\$1,715,000 (2019: HK\$1,681,000) of depreciation was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

During the six months ended 30 September 2020, the Group repossessed a car park located in Hong Kong and reclassified such unit as property and equipment. The property was previously leased out to an individual third party and classified as investment property. The carrying value of the unit on the date of reclassification amounted to approximately HK\$1,513,000.

As at 30 September 2020, the carrying amount of right-of-use asset was approximately HK\$31,000 (31 March 2020: HK\$95,000) in respect of the leased property.

10. TRADE RECEIVABLES AND CONTRACT ASSETS

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade receivables	41,654	37,367
Contract assets	132	314
	41,786	37,681

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 each reporting period.

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
0 to 30 days	18,624	11,569
31 to 60 days	2,819	4,977
61 to 120 days	13,510	6,884
121 to 365 days	5,220	11,185
Over 365 days	1,481	2,752
	41,654	37,367

The Group measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime expected credit losses. 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.

As at 30 September 2020, gross amount of trade receivables and contract assets amounting to approximately HK\$41,786,000 (31 March 2020: HK\$37,681,000) arose from contracts with customers. No loss allowance has been made on trade receivables and contract assets as the amount is immaterial.

11. TRADE PAYABLES

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

	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
0 to 60 days	3,315	8,914
61 to 90 days	1,239	1,172
Over 90 days	8,480	8,469
	<u>13,034</u>	<u>18,555</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.

12. LEASE LIABILITY

As at 30 September 2020, the carrying amount of lease liability was approximately HK\$32,000 (31 March 2020: HK\$97,000).

Amounts recognised in profit or loss:

	Six months ended 30 September 2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Interest expense on lease liability	1	3
Expense relating to short-term lease	127	135

For the six months ended 30 September 2020, the total cash outflow for leases amount to HK\$193,000 (2019: HK\$200,000).

13. BANK BORROWINGS

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Secured mortgage loans	<u>28,627</u>	<u>30,838</u>
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	22,951	4,421
More than one year but not exceeding two years	1,480	21,481
More than two years but not exceeding five years	4,196	4,439
After five years	–	497
	<u>28,627</u>	<u>30,838</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)	5,676	26,417
Carrying amount repayable within one year	<u>22,951</u>	<u>4,421</u>
Amounts shown under current liabilities	<u>28,627</u>	<u>30,838</u>

Borrowings comprise:

			Carrying amount 30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
	Maturity date	Effective interest rate		
Floating-rate borrowings:				
– HKD mortgage loans ⁽¹⁾	21/8/2021	2.37% (31 March 2020: 3.46%)	21,472	22,943
– HKD mortgage loans ⁽²⁾	12/7/2025	2.37% (31 March 2020: 3.44%)	<u>7,155</u>	<u>7,895</u>
			<u>28,627</u>	<u>30,838</u>

⁽¹⁾ The floating rate is lower of Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.4% or 2.25% below best lending rate. Repayable in 84 equal monthly installments commencing from the drawdown of the borrowings.

⁽²⁾ The floating rate is lower of HIBOR plus 1.4% or 2.25% below best lending rate. Repayable in 120 equal monthly installments commencing from the drawdown of the borrowings.

Notes:

- (a) The bank borrowings are all denominated in HK\$.
- (b) All borrowings were guaranteed by the Company and its subsidiaries in Hong Kong for both periods.
- (c) As at 30 September 2020, bank borrowings of approximately HK\$28,627,000 (31 March 2020: HK\$30,838,000) were secured by land and buildings of the Group with carrying amounts of approximately HK\$84,102,000 (31 March 2020: HK\$85,417,000).

14. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised		
At 31 March 2020 and 30 September 2020	<u>2,000,000</u>	<u>20,000</u>
Issued and fully paid		
At 31 March 2020 and 30 September 2020	<u>1,000,000</u>	<u>10,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is one of the leading service providers of VCMA solution in Hong Kong. The Group's revenue is primarily derived from the provision of (i) VCMA solution services; and (ii) VCMA maintenance services.

After the outbreak of the COVID-19 in early 2020, a series of precautionary and control measures have been implemented across Hong Kong and the PRC, which poses an impact on the Group's operation and financial performance during the period. These measures have resulted in a short-term decrease in business opportunities for the Group to launch new projects and suspension of current projects.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK\$10,316,000 or 12.1% from approximately HK\$85,586,000 for the six months ended 30 September 2019 to approximately HK\$75,270,000 for the six months ended 30 September 2020.

Revenue generated from VCMA solution services decreased by approximately HK\$11,118,000 or 14.5% from approximately HK\$76,852,000 for the six months ended 30 September 2019 to approximately HK\$65,734,000 for the six months ended 30 September 2020, which was primarily attributable to the completion of less sizeable projects during the six months ended 30 September 2020 and the outbreak of COVID-19 in Hong Kong and the PRC during the period.

Revenue generated from VCMA maintenance services increased by approximately HK\$802,000 or 9.2% from approximately HK\$8,734,000 for the six months ended 30 September 2019 to approximately HK\$9,536,000 for the six months ended 30 September 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 period minus cost of inventories sold including installation cost for the period. Gross operating profit margin is calculated based on the gross operating profit for the period divided by the revenue for the period and multiplied by 100%.

Gross operating profit decreased by approximately 17.7% from approximately HK\$37,047,000 for the six months ended 30 September 2019 to approximately HK\$30,503,000 for the six months ended 30 September 2020 which was in line with the decrease in revenue for the period.

Gross operating profit margin decreased slightly from approximately 43.3% for the six months ended 30 September 2019 to approximately 40.5% for the six months ended 30 September 2020.

Staff cost

Staff cost of approximately HK\$16,805,000 for the period remained stable as compared to approximately HK\$16,940,000 for the six months ended 30 September 2019.

Other operating expenses

Other operating expenses mainly comprise legal and professional fees, rental expenses, building management fee and other office expenses. Other operating expenses of approximately HK\$3,410,000 for the period remained stable as compared to approximately HK\$3,455,000 for the six months ended 30 September 2019.

Income tax expenses

Income tax expenses decreased from approximately HK\$2,348,000 for the six months ended 30 September 2019 to approximately HK\$1,167,000 for the six months ended 30 September 2020, which was mainly due to the decrease in taxable profit in Hong Kong.

Profit for the period

Profit for the period increased from approximately HK\$1,130,000 for the six months ended 30 September 2019 to approximately HK\$9,495,000 for the six months ended 30 September 2020, which was mainly due to the decrease in gross operating profit net off with the effect of (i) no non-recurring transfer listing expenses incurred in relation to the transfer of listing during the period; (ii) decrease in income tax expenses; and (iii) subsidy from Employment Support Scheme of approximately HK\$2,312,000. Excluding the subsidy from Employment Support Scheme, the Group's adjusted profit for the period would be approximately HK\$7,183,000.

OTHER INFORMATION

PROSPECTS

Leveraging its position as one of the leading service providers of VCMA solution in Hong Kong, the Group is looking for business opportunities to further expand its market share in the VCMA solution industry in the PRC, especially in the Greater Bay Area.

Given the outbreak of COVID-19, a series of precautionary and control measures have been implemented across Hong Kong and the PRC, the economic activities have been seriously affected but gradually resuming. Pending the development and spread of COVID-19, the magnitude of the impact of the epidemic to the business of the Group remains unclear. Going forward, the Group will continue to closely monitor the development of COVID-19 and new precautionary measures and evaluate the policies of the Group to minimize the epidemic's impact on the business of the Group. Meanwhile, the Group will seize business opportunities with gradual relaxation in anti-epidemic measures and continue to seek and explore new opportunities to expand the Group's business in order to support long-term development of the Group and create greater value for the shareholders of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's operation and investments were financed principally by cash generated from its own business operations, bank borrowings and proceeds from issue of new Shares. As at 30 September 2020, the Group had net current assets of approximately HK\$55,697,000 (31 March 2020: HK\$53,461,000) and cash and cash equivalents of approximately HK\$56,332,000 (31 March 2020: HK\$70,936,000). Current liabilities of the Group as at 30 September 2020 included carrying amount of approximately HK\$5,676,000 (31 March 2020: HK\$26,417,000) in bank borrowings that were not repayable within one year from the end of the reporting period but contained a repayment on demand clause.

GEARING RATIO

As at 30 September 2020, the gearing ratio (calculated on the basis of total debt divided by total assets at the end of the reporting period) of the Group was approximately 14.6% (31 March 2020: 14.7%).

FOREIGN CURRENCY RISK

The majority of the Group's business transactions are in Hong Kong and are denominated in HK\$. 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 30 September 2020, the Group did not have any material capital commitment (31 March 2020: nil).

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 September 2020 (2019: nil).

CAPITAL STRUCTURE

There has been no change in the Company's capital structure during the period.

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 have considered 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 the issue of new debts or convertible securities or through the repayment of borrowings.

CHARGE ON THE GROUP'S ASSETS

As at 30 September 2020, land and buildings of approximately HK\$84,102,000 (31 March 2020: HK\$85,417,000) were pledged to secure banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2020 (31 March 2020: nil).

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the period.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 30 September 2020, the Group did not hold any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section headed "Use of Proceeds" below, the Group did not have other plans for material investments or capital assets as at 30 September 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2020, the Group employed 66 (31 March 2020: 70) full-time employees. The remuneration policy of the Group to reward its employees and executives is based on their performance, qualification, working experience, competence displayed with reference to selected comparable market remuneration data.

CHANGE IN INFORMATION OF DIRECTORS

During the six months ended 30 September 2020, there was no change in any of the information disclosed pursuant to the requirement under paragraphs (a) to (e) and (g) of rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 <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 from the date of Listing up to 30 September 2020 <i>HK\$' million</i>	Unused net proceeds as at		
					31 March 2019 <i>HK\$' million</i>	31 March 2020 <i>HK\$' million</i>	30 September 2020 <i>HK\$' million</i>
To recruit experienced sales staff to expand the video conferencing and multimedia audiovisual 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	0.9	1.7	1.2	1.1
For working capital and other general corporate purposes	6.0	-	6.0	6.0	-	-	-
TOTAL	66.3	-	66.3	65.2	1.7	1.2	1.1

The unused net proceeds from the Placing amounting to approximately HK\$1.1 million (“**Unused Proceeds**”) were deposited in licensed banks in Hong Kong.

Given the outbreak of COVID-19, the Company delayed the incurring of expenses for the upgrade of the computer system and other office facilities to preserve the cash position of the Group and approximately HK\$1.1 million remained unutilized as at 30 September 2020. It is expected that this remaining amount will be utilized by the year ending 31 March 2021 depending on the development of COVID-19 and its impact on the economic conditions in Hong Kong and the PRC.

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 the Unused Proceeds, the Company will make appropriate announcement in accordance with the relevant provisions of the Listing Rules.

EQUITY FUND-RAISING ACTIVITIES

The Company had no equity fund-raising activities during the period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, none of the Company or its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

The share option scheme of the Company (the "**Share Option Scheme**") was adopted under the written resolutions of the shareholders of the Company passed on 11 May 2015. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group.

There were no share options granted, exercised, cancelled or lapsed under the Share Option Scheme during the period and there were no outstanding share options under the Share Option Scheme as at 30 September 2020 and up to the date of this announcement.

As at the date of this announcement, the maximum outstanding number of options available for grant and Shares which may be issued under the Share Option Scheme represents 10% of the issued share capital of the Company.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY THE 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 the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. The Company, having made specific enquiries of all Directors, was not aware of any non-compliance with the Model Code during the period.

DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or the associated corporations

As at 30 September 2020, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) (i) as recorded in the register required to be kept under section 352 of the SFO; or (ii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in the Model Code, were as follows:

Name	Capacity/Nature of interest	Number of Shares (Note 1)	Percentage of issued Shares
Mr. Zhong Naixiong	Interest of controlled corporation (Note 2)	600,000,000	60%
Dr. Wong King Keung	Beneficial owner	150,000,000	15%

Notes:

- (1) All interests stated are long positions.
- (2) These Shares are held by Phoenix Time Holdings Limited, which is 100% owned by Mr. Zhong Naixiong. Pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Zhong Naixiong is deemed to have an interest in all Shares in which Phoenix Time Holdings Limited has, or deemed to have, an interest.

Save as disclosed above, as at 30 September 2020, none of the Directors and the chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) as recorded in the register required to be kept under section 352 of the SFO or (ii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in the Model Code.

(b) Interests and short positions of the substantial shareholders in the shares and underlying shares

As at 30 September 2020, so far as is known to the Directors and the chief executives of the Company, the following corporations or persons (other than the Directors or the chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Name	Capacity/Nature of interest	Number of Shares <i>(Note 1)</i>	Percentage of issued Shares
Phoenix Time Holdings Limited	Beneficial owner	600,000,000	60%
Ms. Chen Minling <i>(Note 2)</i>	Interests of spouse	600,000,000	60%
Ms. Wong Lau Sau Yee Angeli <i>(Note 3)</i>	Interests of spouse	150,000,000	15%

Notes:

- (1) All interests stated are long positions.
- (2) Ms. Chen Minling is the spouse of Mr. Zhong Naixiong. Pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Chen Minling is deemed to have an interest in all Shares in which Mr. Zhong Naixiong has, or deemed to have, an interest.
- (3) Ms. Wong Lau Sau Yee Angeli is the spouse of Dr. Wong King Keung. Pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Wong Lau Sau Yee Angeli is deemed to have an interest in all Shares in which Dr. Wong King Keung has, or deemed to have, an interest.

Save as disclosed above, as at 30 September 2020, the Directors and the chief executives of the Company are not aware of any other person, not being a Director or a chief executive of the Company, who had, or was deemed or taken to have an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the period was the Company, or its holding company, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and the chief executives of the Company (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares, underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 September 2020, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CORPORATE GOVERNANCE PRACTICES

The Company maintains a high standard of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules (the "**CG Code**"). To the best knowledge of the Board, the Company had complied with the CG Code during the period and up to the date of this announcement, except with the deviations as disclosed below:

Code Provision A.6.7

Code provision A.6.7 stipulates, among other things, that the independent non-executive Directors should attend general meetings. Mr. Mong Cheuk Wai, an independent non-executive Director, was absent from the 2020 annual general meeting held on 7 August 2020 due to other business engagements.

REVIEW OF RESULTS

The Company has established an audit committee (the "**Audit Committee**") in accordance with the Listing Rules and the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Fong Chi, Mr. Lum Pak Sum and Mr. Mong Cheuk Wai. Mr. Lum Pak Sum is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited consolidated results of the Group for the period and this announcement and is of the view that they have complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

SUFFICIENCY OF PUBLIC FLOAT

From the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the public float as required by the Listing Rules as at the date of this announcement.

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.

By order of the Board
Zhong Naixiong
Chairman

Hong Kong, 12 November 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.