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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: 8355)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors (the “**Directors**”) of i-Control Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively referred to as the “**Group**”). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the website of GEM at [www.hkgem.com](http://www.hkgem.com) for a minimum period of 7 days from the date of publication and on the website of the Company at [www.i-controlholdings.com](http://www.i-controlholdings.com).*

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 September 2019 (the “**Period**”), together with the comparative unaudited figures for the corresponding period in 2018 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Notes	Three months ended 30 September		Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	52,348	52,477	85,586	82,167
Cost of inventories sold including installation cost		(31,005)	(32,528)	(48,539)	(50,578)
Staff cost		(9,218)	(9,386)	(16,940)	(16,402)
Depreciation		(840)	(816)	(1,681)	(1,631)
Other income and net gain	3	39	125	93	222
Other operating expenses		(1,579)	(2,061)	(3,455)	(3,848)
Finance costs	5	(305)	(311)	(599)	(551)
Transfer listing expenses		(8,303)	–	(10,987)	–
Profit before taxation		1,137	7,500	3,478	9,379
Income tax expenses	6	(1,158)	(1,390)	(2,348)	(1,906)
(Loss) Profit for the period		(21)	6,110	1,130	7,473
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translating foreign operations		(81)	4	(81)	(13)
Total comprehensive income for the period		(102)	6,114	1,049	7,460
(Loss) Earnings per share					
Basic and diluted	8	HK(0.00) cents	HK0.61 cents	HK0.11 cents	HK0.75 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2019*

	<i>Notes</i>	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property and equipment	<i>9</i>	<b>87,714</b>	89,117
Investment properties	<i>9</i>	<b>1,548</b>	1,568
Deferred tax assets		<b>398</b>	388
		<hr/> <b>89,660</b>	<hr/> 91,073
<b>Current assets</b>			
Inventories		<b>10,083</b>	11,518
Trade receivables and contract assets	<i>10</i>	<b>43,723</b>	55,727
Prepayments, deposits and other receivables		<b>2,575</b>	1,539
Tax recoverables		–	43
Bank balances and cash		<b>59,340</b>	76,636
		<hr/> <b>115,721</b>	<hr/> 145,463
<b>Current liabilities</b>			
Trade payables	<i>11</i>	<b>16,618</b>	25,159
Other payables and accruals		<b>11,067</b>	22,175
Lease liability	<i>12</i>	<b>160</b>	–
Bank borrowings	<i>13</i>	<b>33,048</b>	35,259
Tax payables		<b>3,930</b>	2,472
		<hr/> <b>64,823</b>	<hr/> 85,065
<b>Net current assets</b>		<hr/> <b>50,898</b>	<hr/> 60,398
<b>Total assets less current liabilities</b>		<hr/> <b>140,558</b>	<hr/> 151,471
<b>Non-current liability</b>			
Deferred tax liabilities		<b>934</b>	896
<b>Net assets</b>		<hr/> <b>139,624</b>	<hr/> 150,575
<b>Capital and reserves</b>			
Share capital	<i>14</i>	<b>10,000</b>	10,000
Reserves		<b>129,624</b>	140,575
<b>Total equity</b>		<hr/> <b>139,624</b>	<hr/> 150,575

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2019*

	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 2018 (audited)	10,000	55,344	10,817	148	59,021	135,330
Profit and total comprehensive income for the period	–	–	–	(13)	7,473	7,460
2018 final dividend paid	–	(8,000)	–	–	–	(8,000)
	10,000	47,344	10,817	135	66,494	134,790
At 30 September 2018 (unaudited)	10,000	47,344	10,817	135	66,494	134,790
At 1 April 2019 (audited)	<b>10,000</b>	<b>47,344</b>	<b>10,817</b>	<b>(110)</b>	<b>82,524</b>	<b>150,575</b>
Profit and total comprehensive income for the period	–	–	–	(81)	1,130	1,049
2019 final dividend paid	–	(12,000)	–	–	–	(12,000)
	<b>10,000</b>	<b>35,344</b>	<b>10,817</b>	<b>(191)</b>	<b>83,654</b>	<b>139,624</b>
At 30 September 2019 (unaudited)	<b>10,000</b>	<b>35,344</b>	<b>10,817</b>	<b>(191)</b>	<b>83,654</b>	<b>139,624</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	<b>2019</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Unaudited)
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<u>(2,367)</u>	<u>2,348</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(39)	(20)
Bank interest received	<u>63</u>	<u>4</u>
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<u>24</u>	<u>(16)</u>
<b>FINANCING ACTIVITIES</b>		
Dividend paid	(12,000)	(8,000)
Repayment of bank borrowings	(2,211)	(2,211)
Interest paid	(599)	(551)
Repayment of lease liability	<u>(62)</u>	<u>–</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(14,872)</u>	<u>(10,762)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(17,215)</b>	<b>(8,430)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>76,636</b>	<b>64,463</b>
Effect of foreign exchange rate changes	<u>(81)</u>	<u>(13)</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash</b>	<u><b>59,340</b></u>	<u><b>56,020</b></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

### 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, Chapter 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The registered office of the Company is Estera Trust (Cayman) Limited, 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 since 27 May 2015 (the "**Listing**"). 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**").

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 Company's unaudited condensed consolidated financial statements for the six months ended 30 September 2019 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The accounting policies and method of computation used in the preparation of these results are consistent with those used in the annual financial statements for the year ended 31 March 2019, except for the adoption of the new or revised standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards ("**HKFRSs**") which are effective for annual period beginning on 1 April 2019. Other than as noted below, the adoption of such new or revised standards, amendments to standards and interpretations does not have material impacts on the condensed consolidated financial statements and does not result in substantial changes to the Group's accounting policies.

#### **HKFRS 16 Leases**

The Group has applied HKFRS 16 commencing from 1 April 2019. The adoption of HKFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements.

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. 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, and has not restated comparatives for previous reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared 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 major impacts of the adoption of HKFRS 16 on the condensed consolidated financial statements are described below.

*The Group as lessee*

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases (except for 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 liabilities on 1 April 2019 was 2.82%.

The Group recognises right-of-use assets for property 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.

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

*Note:* As at 1 April 2019, right-of-use assets were 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 liabilities recognised as at 1 April 2019 are as follow:

	<b>HK\$'000</b>
Operating lease commitments as at 31 March 2019	355
Recognition exemption for short-term leases	(124)
	<u>231</u>
Discounting effect using the incremental borrowing rate as at 1 April 2019	(9)
	<u>222</u>

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.

### 3. REVENUE AND OTHER INCOME AND NET GAIN

Revenue represents the amounts received and receivable from provision of solutions for audiovisual, conferencing, presentation and multimedia control systems, including installation services and audiovisual system maintenance services, 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:

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2019</b>	2018*	<b>2019</b>	2018*
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
Disaggregated by major products or service line				
Solutions for audiovisual, conferencing, presentation and multimedia control systems, including installation services	<b>47,761</b>	47,830	<b>76,852</b>	74,730
Audiovisual system maintenance services	<b>4,587</b>	4,647	<b>8,734</b>	7,437
	<u><b>52,348</b></u>	<u>52,477</u>	<u><b>85,586</b></u>	<u>82,167</u>

\* The amounts for the period ended 30 September 2018 were recognised under HKAS 18.



## Disaggregation of revenue by timing of recognition

	Three months ended 30 September 2019 <i>HK\$'000</i> (Unaudited)	Six months ended 30 September 2019 <i>HK\$'000</i> (Unaudited)
<b>Timing of revenue recognition</b>		
At a point in time	47,761	76,852
Over time	4,587	8,734
	<u>52,348</u>	<u>85,586</u>
Total revenue from contracts with customers	<u>52,348</u>	<u>85,586</u>

	Three months ended 30 September 2019 <i>HK\$'000</i> (Unaudited)		Six months ended 30 September 2019 <i>HK\$'000</i> (Unaudited)	
	2018 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
<b>Other income and net gain</b>				
Bank interest income	28	2	63	4
Exchange gain (loss)	11	(17)	27	(54)
Gross rental income from investment properties ( <i>note</i> )	–	140	6	272
Loss on disposal of property and equipment	–	–	(3)	–
	<u>39</u>	<u>125</u>	<u>93</u>	<u>222</u>

*Note:* 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 video conferencing and multimedia audiovisual solutions, and 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 and the PRC.

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

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong (place of domicile)	<b>51,092</b>	51,605	<b>83,934</b>	80,057
The PRC (other than Hong Kong and Macau)	<b>1,116</b>	642	<b>1,345</b>	1,714
Macau	<b>140</b>	230	<b>307</b>	321
Singapore	–	–	–	75
	<u>52,348</u>	<u>52,477</u>	<u>85,586</u>	<u>82,167</u>

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

	30 September	31 March
	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Hong Kong (place of domicile)	<b>89,256</b>	90,679
The PRC (other than Hong Kong and Macau)	<b>6</b>	6
	<u>89,262</u>	<u>90,685</u>

*Note:* Non-current assets excluded deferred tax assets.

## 5. FINANCE COSTS

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expenses on bank borrowings	<b>303</b>	311	<b>596</b>	551
Interest on lease liability	<b>2</b>	–	<b>3</b>	–
	<u>305</u>	<u>311</u>	<u>599</u>	<u>551</u>

## 6. INCOME TAX EXPENSES

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax:				
– Hong Kong Profits Tax	1,147	1,390	2,270	1,766
– PRC Enterprise Income Tax	–	–	50	108
Deferred taxation	11	–	28	32
	<u>1,158</u>	<u>1,390</u>	<u>2,348</u>	<u>1,906</u>
<b>Total income tax expenses for the period</b>	<b>1,158</b>	<b>1,390</b>	<b>2,348</b>	<b>1,906</b>

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 2019, 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 2018, 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% (2018: 25%) of the estimated assessable profits for the six months ended 30 September 2019.

The Singapore subsidiary is in loss-making position for the Period and accordingly does not have any provision for Singapore Corporate Tax at 17% for the six months ended 30 September 2019 and 2018.

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 2019 (2018: nil).

The payment of a final dividend of HK1.2 cents per share amounted to HK\$12,000,000 for the year ended 31 March 2019 (2018: HK0.8 cents per share amounted to HK\$8,000,000) was resolved and declared at the annual general meeting of the Company held on 8 August 2019. The date of payment was on 12 September 2019.

## 8. (LOSS) EARNINGS PER SHARE

	Three months ended 30 September		Six months ended 30 September	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
<b>(Loss) Earnings</b>				
(Loss) Earnings for the purpose of basic and diluted (loss) earnings per share	<u>(21)</u>	<u>6,110</u>	<u>1,130</u>	<u>7,473</u>

	Three months ended 30 September		Six months ended 30 September	
	2019 <i>'000</i>	2018 <i>'000</i>	2019 <i>'000</i>	2018 <i>'000</i>
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

The dilutive (loss) earnings per share is equal to the basic (loss) earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 September 2019 and 2018.

## 9. MOVEMENTS IN PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

During the Period, the Group acquired approximately HK\$39,000 of property and equipment. Upon adoption of HKFRS 16, on 1 April 2019, the Group recognised right-of-use assets of approximately HK\$222,000 in respect of the leased property. As at 30 September 2019, the carrying amount of right-of-use asset was approximately HK\$158,000 in respect of the leased property.

## 10. TRADE RECEIVABLES AND CONTRACT ASSETS

	30 September 2019 <i>HK\$'000</i> (Unaudited)	31 March 2019 <i>HK\$'000</i> (Audited)
Trade receivables	42,914	53,851
Contract assets	<u>809</u>	<u>1,876</u>
	<u>43,723</u>	<u>55,727</u>

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.

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
0 to 30 days	<b>20,969</b>	20,480
31 to 60 days	<b>8,153</b>	12,572
61 to 120 days	<b>6,143</b>	8,073
121 to 365 days	<b>6,080</b>	11,216
Over 365 days	<b>1,569</b>	1,510
	<b>42,914</b>	53,851

Since 1 April 2018, 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 2019, gross amount of trade receivables and contract assets amounting to approximately HK\$43,723,000 (31 March 2019: HK\$55,727,000) 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:

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
0 to 60 days	<b>5,471</b>	11,812
61 to 90 days	<b>536</b>	5,423
Over 90 days	<b>10,611</b>	7,924
	<b>16,618</b>	25,159

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 2019 <i>HK\$'000</i> (Unaudited)	As at 1 April 2019 <i>HK\$'000</i> (Audited)
Minimum lease payment due:		
Within one year	132	132
More than one year but not exceeding two years	34	99
Less: future finance charge	(6)	(9)
	<u>160</u>	<u>222</u>
Present value of lease liability:		
Within one year	126	126
More than one year but not exceeding two years	34	96
	<u>160</u>	<u>222</u>

The Group leases a warehouse for inventory storage and the lease liability was measured at the present value of the lease payments that are not yet paid.

The Group does not have a significant liquidity risk with regard to its lease liability. Lease liability is monitored within the Group's treasury function.

The depreciation of right-of-use assets for building for the six months ended 30 September 2019 was recognised in the profit or loss and amounted to approximately HK\$64,000. Recognition of interest on lease liability and right-of-use asset of lease liability are set out in note 5 and note 9 respectively.

During the six months ended 30 September 2019, the total cash outflow for leases amount to approximately HK\$62,000 are included in cash flows of financing activities.

### 13. BANK BORROWINGS

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)		
Secured mortgage loans	<b>33,048</b>	35,259		
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	22,952	4,421		
More than two years but not exceeding five years	4,562	24,440		
After five years	1,113	1,977		
	<b>33,048</b>	35,259		
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)	28,627	30,838		
Carrying amount repayable within one year	4,421	4,421		
Amount shown under current liabilities	<b>33,048</b>	35,259		
Borrowings comprise:				
	<b>Maturity date</b>	<b>Effective interest rate</b>	<b>Carrying amount</b>	
			<b>30 September 2019 HK\$'000 (Unaudited)</b>	<b>31 March 2019 HK\$'000 (Audited)</b>
Floating-rate borrowings:				
– HKD mortgage loans <sup>(1)</sup>	21/8/2021	3.48% (31 March 2019: 2.89%)	24,413	25,884
– HKD mortgage loans <sup>(2)</sup>	12/7/2025	3.48% (31 March 2019: 2.89%)	8,635	9,375
			<b>33,048</b>	35,259

<sup>(1)</sup> 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.

<sup>(2)</sup> 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) As at 30 September 2019, bank borrowings of approximately HK\$33,048,000 (31 March 2019: HK\$35,259,000) were secured by land and buildings of the Group with carrying amounts of approximately HK\$86,733,000 (31 March 2019: HK\$88,048,000).

**14. SHARE CAPITAL**

	<b>Number of shares '000</b>	<b>Share capital HK\$'000</b>
<b>Ordinary shares of HK\$0.01 each</b>		
<b>Authorised</b>		
As at 31 March 2019 and 30 September 2019	<u>2,000,000</u>	<u>20,000</u>
<b>Issued and fully paid</b>		
As at 31 March 2019 and 30 September 2019	<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 video conferencing and multimedia audiovisual solutions in Hong Kong. The Group's services can be divided into two lines, namely the provision of (i) solutions for audiovisual, conferencing, presentation and multimedia control systems, including installation services; and (ii) audiovisual system maintenance services.

The Group continued to maintain and strengthen its position as one of the leading service providers of video conferencing and multimedia audiovisual solutions in Hong Kong and continued to expand its market share in the video conferencing and multimedia audiovisual solutions industry in the PRC.

The Company submitted a formal application to the Stock Exchange on 29 August 2019 for the proposed transfer of listing of the Shares from GEM to the Main Board of the Stock Exchange ("**Proposed Transfer**") pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules. For details, please refer to the Company's announcement dated 29 August 2019. Further announcement(s) will be made to keep the shareholders of the Company and potential investors informed of the progress of the Proposed Transfer as and when appropriate.

### FINANCIAL REVIEW

#### Revenue

The Group's revenue increased by approximately HK\$3,419,000 or 4.2% from approximately HK\$82,167,000 for the six months ended 30 September 2018 to approximately HK\$85,586,000 for the six months ended 30 September 2019.

Revenue generated from solutions for audiovisual, conferencing, presentation and multimedia control systems, including installation services increased by approximately HK\$2,122,000 or 2.8% from approximately HK\$74,730,000 for the six months ended 30 September 2018 to approximately HK\$76,852,000 for the six months ended 30 September 2019, which was primarily attributable to the completion of several sizeable projects during the six months ended 30 September 2019.

Revenue generated from audiovisual system maintenance services increased by approximately HK\$1,297,000 or 17.4% from approximately HK\$7,437,000 for the six months ended 30 September 2018 to approximately HK\$8,734,000 for the six months ended 30 September 2019, which was primarily attributable to the increase in total maintenance projects after the completion of related projects of solutions for audiovisual, conferencing, presentation and multimedia control systems, including installation 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 revenue for the Period and multiplied by 100%.

Gross operating profit increased by 17.3% from approximately HK\$31,589,000 for the six months ended 30 September 2018 to approximately HK\$37,047,000 for the six months ended 30 September 2019, mainly due to the completion of several sizeable projects during the Period.

Gross operating profit margin increased from 38.4% for the six months ended 30 September 2018 to 43.3% for the six months ended 30 September 2019, primarily due to completion of several projects with higher gross operating profit margin.

## **Staff cost**

Staff cost of approximately HK\$16,940,000 for the Period remained stable as compared to approximately HK\$16,402,000 for the six months ended 30 September 2018.

## **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\$3,455,000 for the Period remained stable as compared to approximately HK\$3,848,000 for the six months ended 30 September 2018.

## **Income tax expenses**

Income tax expenses increased from approximately HK\$1,906,000 for the six months ended 30 September 2018 to approximately HK\$2,348,000 for the six months ended 30 September 2019, which was mainly due to the increase in taxable profit in Hong Kong.

## **Profit for the period**

Profit for the period decreased from approximately HK\$7,473,000 for the six months ended 30 September 2018 to approximately HK\$1,130,000 for the six months ended 30 September 2019, which was mainly due to the increase in gross operating profit net off with the effect of (i) non-recurring transfer listing expenses incurred in relation to the Proposed Transfer; and (ii) increase in income tax expenses. Excluding the transfer listing expenses, the Group's adjusted profit for the Period would be approximately HK\$12,117,000.

## **OTHER INFORMATION**

### **PROSPECTS**

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

After the opening of the Hong Kong-Zhuhai-Macao Bridge and Guangzhou-Shenzhen-Hong Kong Express Rail Link, economic activity in the Greater Bay Area is expected to rise. The Group will seize the opportunities to explore new business in the Greater Bay Area in order to support long-term development.

### **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 obtained from issue of new Shares. As at 30 September 2019, the Group had net current assets of approximately HK\$50,898,000 (31 March 2019: HK\$60,398,000) and cash and cash equivalents of approximately HK\$59,340,000 (31 March 2019: HK\$76,636,000). Current liabilities of the Group as at 30 September 2019 included carrying amount of approximately HK\$28,627,000 (31 March 2019: HK\$30,838,000) 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 2019, 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 16.1% (31 March 2019: 14.9%).

### **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 2019, the Group did not have any material capital commitment (31 March 2019: nil).

### **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the six months ended 30 September 2019 (2018: nil).

## **CAPITAL STRUCTURE**

There has been no change in the Company's capital structure since the date of the Listing.

The capital structure of the Group consists of net debt, which includes bank borrowings, lease liability, 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 the issue of new debts or convertible securities or through the repayment of borrowings.

## **CHARGE ON THE GROUP'S ASSETS**

As at 30 September 2019, land and buildings of approximately HK\$86,733,000 (31 March 2019: HK\$88,048,000) were pledged to secure banking facilities granted to the Group.

## **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 30 September 2019 (31 March 2019: 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 2019, the Group did not hold any significant investments.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in the prospectus of the Company dated 14 May 2015 and in this announcement, the Group did not have other plans for material investments or capital assets as at 30 September 2019.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2019, the Group employed 76 (31 March 2019: 73) 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.

## 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 2019 <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	0.3
For working capital and other general corporate purposes	6.0	–	6.0	6.0
<b>TOTAL</b>	<b>66.3</b>	<b>–</b>	<b>66.3</b>	<b>64.6</b>

The unused net proceeds from the Placing amounting to approximately HK\$1.7 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 appropriate announcement in accordance with the relevant provisions of the GEM Listing Rules.

#### **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 2019 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 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. The Company, having made specific enquiries of all Directors, was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors 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 2019, 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 rule 5.46 of the GEM Listing Rules, were as follows:

<b>Name</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares (Note 1)</b>	<b>Percentage of issued Shares</b>
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 2019, 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 rule 5.46 of the GEM Listing Rules.

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

As at 30 September 2019, 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.

<b>Name</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares (Note 1)</b>	<b>Percentage of issued Shares</b>
Phoenix Time Holdings Limited	Beneficial owner	600,000,000	60%
Ms. Chen Minling (Note 2)	Interests of spouse	600,000,000	60%
Ms. Wong Lau Sau Yee Angeli (Note 3)	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 2019, 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 2019, 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 15 to the GEM 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.

## **CHANGES IN DIRECTORS' INFORMATION**

Pursuant to rule 17.50A(1) of the GEM Listing Rules, the changes in information of the Directors are as follows:

- Mr. Fung Chan Man Alex, the independent non-executive Director, has resigned as independent non-executive director of On Real International Holdings Limited (Stock Code: 8245) with effect from 20 September 2019.
- Mr. Lum Pak Sum, the independent non-executive Director, has been appointed as independent non-executive director of China Graphene Group Limited (Stock Code: 0063) with effect from 30 September 2019.

## **REVIEW OF RESULTS**

The Company has established an audit committee (the “**Audit Committee**”) in accordance with rule 5.28 of the GEM 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 GEM 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 GEM 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  
**i-Control Holdings Limited**  
**Zhong Naixiong**  
*Chairman*

Hong Kong, 4 November 2019

*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.*