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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 2024

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 2024, together with the comparative figures for the year ended 31 March 2023:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March 2024

	<i>Notes</i>	2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Revenue	4	130,181	157,844
Cost of sales		(84,073)	(97,499)
Staff cost		(40,534)	(41,394)
Depreciation and amortisation		(4,978)	(4,360)
Other income and net (loss) gain	4	(677)	1,160
Impairment losses on trade receivables and contract assets		(716)	–
Impairment loss on loan to an investee		(752)	–
Impairment losses on intangible assets		(3,155)	–
Other operating expenses		(8,610)	(8,157)
Finance costs	6	(1,037)	(710)
(Loss) profit before taxation		(14,351)	6,884
Income tax credit (expenses)	7	23	(1,644)
(Loss) profit for the year	8	(14,328)	5,240
Other comprehensive (expenses) income			
Item that will not be reclassified subsequently to profit or loss:			
Net change in fair value of financial asset at fair value through other comprehensive income (“ FVTOCI ”)		(7,076)	5,124
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		(619)	(869)
		(7,695)	4,255
Total comprehensive (expenses) income for the year		(22,023)	9,495

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
(Loss) profit for the year attributable to:			
Equity shareholders of the Company		(12,882)	5,739
Non-controlling interests		<u>(1,446)</u>	<u>(499)</u>
		<u>(14,328)</u>	<u>5,240</u>
Total comprehensive (expenses) income for the year attributable to:			
Equity shareholders of the Company		(20,511)	10,057
Non-controlling interests		<u>(1,512)</u>	<u>(562)</u>
		<u>(22,023)</u>	<u>9,495</u>
(Loss) earnings per share			
Basic	<i>9</i>	<u>HK (1.23) cents</u>	<u>HK0.55 cents</u>
Diluted	<i>9</i>	<u>HK (1.23) cents</u>	<u>HK0.55 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current assets			
Property and equipment		78,916	80,727
Intangible assets		6,562	11,523
Financial assets at FVTOCI	<i>11</i>	6,634	13,710
Deferred tax assets		955	477
		<u>93,067</u>	<u>106,437</u>
Current assets			
Inventories		9,960	19,820
Trade receivables and contract assets	<i>12</i>	39,496	49,616
Prepayments, deposits and other receivables		4,099	2,847
Loan to an investee	<i>11</i>	6,801	8,001
Tax recoverables		905	–
Bank balances and cash		35,819	49,437
		<u>97,080</u>	<u>129,721</u>
Current liabilities			
Trade payables	<i>13</i>	12,237	15,347
Other payables and accruals		19,352	19,766
Amount due to a related company		540	–
Lease liabilities		602	333
Bank borrowings	<i>14</i>	14,335	18,431
Tax payables		–	322
		<u>47,066</u>	<u>54,199</u>
Net current assets		<u>50,014</u>	<u>75,522</u>
Total assets less current liabilities		<u>143,081</u>	<u>181,959</u>
Non-current liabilities			
Deferred tax liabilities		1,616	1,339
Lease liabilities		691	125
		<u>2,307</u>	<u>1,464</u>
Net assets		<u>140,774</u>	<u>180,495</u>
Capital and reserves			
Share capital	<i>15</i>	10,505	10,505
Reserves		130,729	168,938
Total equity attributable to equity shareholders of the Company		<u>141,234</u>	<u>179,443</u>
Non-controlling interests		<u>(460)</u>	<u>1,052</u>
Total equity		<u>140,774</u>	<u>180,495</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March 2024

	Attributable to the equity shareholders of the Company											
	Share capital	Shares held under share award scheme	Share premium	Merger reserve	Employee share-based compensation reserve	Translation reserve	Statutory surplus reserve	Investment revaluation reserve	Retained profits	Total	Non-controlling interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2022	10,505	(126)	47,781	10,817	426	270	208	-	104,423	174,304	784	175,088
Profit (loss) for the year	-	-	-	-	-	-	-	-	5,739	5,739	(499)	5,240
Other comprehensive income (expense) for the year:												
Net change in fair value of financial asset at FVTOCI	-	-	-	-	-	-	-	5,124	-	5,124	-	5,124
Exchange differences arising on translating foreign operations	-	-	-	-	-	(806)	-	-	-	(806)	(63)	(869)
Total comprehensive income (expenses) for the year	-	-	-	-	-	(806)	-	5,124	5,739	10,057	(562)	9,495
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	-	-	830	830
Equity-settled share-based payment transactions (note 16)	-	83	-	-	252	-	-	-	-	335	-	335
2022 final dividend paid (note 10)	-	-	(5,253)	-	-	-	-	-	-	(5,253)	-	(5,253)
At 31 March 2023 and 1 April 2023	10,505	(43)	42,528	10,817	678	(536)	208	5,124	110,162	179,443	1,052	180,495
Loss for the year	-	-	-	-	-	-	-	-	(12,882)	(12,882)	(1,446)	(14,328)
Other comprehensive expenses for the year:												
Net change in fair value of financial asset at FVTOCI	-	-	-	-	-	-	-	(7,076)	-	(7,076)	-	(7,076)
Exchange differences arising on translating foreign operations	-	-	-	-	-	(553)	-	-	-	(553)	(66)	(619)
Total comprehensive expenses for the year	-	-	-	-	-	(553)	-	(7,076)	(12,882)	(20,511)	(1,512)	(22,023)
Equity-settled share-based payment transactions (note 16)	-	40	-	-	121	-	-	-	-	161	-	161
2023 special dividend paid (note 10)	-	-	(12,606)	-	-	-	-	-	-	(12,606)	-	(12,606)
2023 final dividend paid (note 10)	-	-	(5,253)	-	-	-	-	-	-	(5,253)	-	(5,253)
At 31 March 2024	10,505	(3)	24,669	10,817	799	(1,089)	208	(1,952)	97,280	141,234	(460)	140,774

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2024

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 Act of the Cayman Islands. The registered office of the Company is Ocorian Trust (Cayman) Limited, Windward 3, Regatta Office Park, PO Box 1350, 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 Company's shares ("Shares") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 video conferencing and multimedia audiovisual ("VCMA") solution and maintenance services and cloud-based Information Technology and Operational Technology ("IT+OT") managed services.

Items included in the financial statements of each of the Company and its subsidiaries 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\$" or "HKD"), 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 ("RMB") and Singapore dollar ("SGD") 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 the first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning 1 April 2023:

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Impact on application of Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to HKAS 12 narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained earnings at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

The amendments had no material impact on the consolidated financial statements of the Group.

Amendments to HKFRSs issued but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION

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, except for financial instruments that are measured at fair values at the end of each reporting period. 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 (LOSS) GAIN

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service line		
–VCMA solution services	104,613	122,419
–VCMA maintenance services	17,263	20,388
Provision of cloud-based IT+OT managed services:		
–AIoT operation and other services	5,379	6,022
–Security services	2,926	9,015
	<u>130,181</u>	<u>157,844</u>

Disaggregation of revenue by timing of recognition

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Timing of revenue recognition		
At a point in time	112,918	136,586
Over time	17,263	21,258
	<u>130,181</u>	<u>157,844</u>

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other income and net (loss) gain		
Net exchange loss	(740)	(491)
Bank interest income	51	25
Government subsidies (<i>note</i>)	–	1,568
Others	12	58
	<u>(677)</u>	<u>1,160</u>

Note: During the year ended 31 March 2023, the Group recognised government grants of approximately HK\$1,568,000 (2024: nil) in respect of COVID-19-related subsidies related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

5. SEGMENT INFORMATION

The Directors consider that there are two operating and reportable business segments for the Group, being the provision of VCMA solution and maintenance services and cloud-based IT+OT managed services. The Group's operating segments are reported in a manner consistent with the information reported to the Board, being the chief operating decision maker (the "CODM"), for the purposes of resources allocation and performance assessment.

The Directors have chosen to organise the Group around differences in products and services.

Specifically, the Group's reportable segments are as follows:

1. Provision of VCMA solution and maintenance services
2. Provision of cloud-based IT+OT managed services

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

	Provision of VCMA solution and maintenance services		Provision of cloud-based IT+OT managed services		Total	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
For the year ended 31 March						
Segment revenue – external customers	<u>121,876</u>	<u>142,807</u>	<u>8,305</u>	<u>15,037</u>	<u>130,181</u>	<u>157,844</u>
Segment results	<u>11,096</u>	<u>25,530</u>	<u>(9,641)</u>	<u>(3,358)</u>	<u>1,455</u>	<u>22,172</u>
Unallocated other income and net loss					(789)	(384)
Unallocated expenses					<u>(15,017)</u>	<u>(14,904)</u>
(Loss) profit before tax					<u>(14,351)</u>	<u>6,884</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies.

Segment results represents the result from each segment without allocation of Directors' emoluments, other income and net (loss) gain, certain items of other operating expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	Provision of VCMA solution and maintenance services		Provision of cloud-based IT+OT managed services		Total	
	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March						
Segment assets	50,754	72,221	11,500	17,290	62,254	89,511
Unallocated assets					127,893	146,647
Total assets					190,147	236,158
Segment liabilities	(23,209)	(29,417)	(5,594)	(2,298)	(28,803)	(31,715)
Unallocated liabilities					(20,570)	(23,948)
Total liabilities					(49,373)	(55,663)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than certain property and equipment, financial assets at FVTOCI, bank balances and cash, certain prepayments, deposits and other receivables, loan to an investee, deferred tax assets and tax recoverables which are unable to allocate to reportable segments; and
- all liabilities are allocated to reportable segments other than certain other payables and accruals, bank borrowings, tax payables and deferred tax liabilities.

(c) Other segment information

	Provision of VCMA solution and maintenance services		Provision of cloud-based IT+OT managed services		Unallocated		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Amounts included in the measure of segment profit or loss or segment assets:								
Additions to property and equipment	415	463	1,483	724	72	-	1,970	1,187
Additions to intangible assets	-	-	-	12,377	-	-	-	12,377
Depreciation of property and equipment	463	404	648	242	2,670	2,670	3,781	3,316
Amortisation of intangible assets	-	-	1,197	1,044	-	-	1,197	1,044
Impairment losses on intangible assets	-	-	3,155	-	-	-	3,155	-
Impairment losses on trade receivables and contract assets	716	-	-	-	-	-	716	-
Impairment loss on loan to an investee	-	-	-	-	752	-	752	-
Government grants	-	1,544	-	-	-	24	-	1,568
Bank interest income	47	13	3	8	1	4	51	25
Finance costs	-	-	49	10	988	700	1,037	710

(d) 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	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong (place of domicile)	118,622	139,075
The PRC	9,577	17,813
Macau	1,842	951
Singapore	140	5
	<u>130,181</u>	<u>157,844</u>

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

	Non-current assets	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong (place of domicile)	77,577	80,223
The PRC	7,901	12,027
	<u>85,478</u>	<u>92,250</u>

Note: Non-current assets excluded deferred tax assets and financial assets at FVTOCI.

(e) Information about major customers

No revenue from individual external customer contributed over 10% of total revenue of the Group for the years ended 31 March 2024 and 2023.

6. FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest expenses on bank borrowings	988	700
Interest on lease liabilities	49	10
	<u>1,037</u>	<u>710</u>

7. INCOME TAX (CREDIT) EXPENSES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong Profits Tax:		
– Current year	160	1,646
– Under (over) provision in prior year	18	(188)
	<u>178</u>	<u>1,458</u>
PRC Enterprise Income Tax:		
– Current year	–	2
Deferred taxation	(201)	184
	<u>(201)</u>	<u>184</u>
Total income tax (credit) expenses for the year	<u>(23)</u>	<u>1,644</u>

8. (LOSS) PROFIT FOR THE YEAR

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
(Loss) profit for the year has been arrived at after charging:		
Directors' emoluments	6,074	7,662
Salaries (excluding Directors' emoluments)	31,819	31,217
Retirement benefit scheme contributions (excluding Directors' emoluments)	2,480	2,180
Equity-settled share-based payment expenses	161	335
	<u>40,534</u>	<u>41,394</u>
Total staff costs		
Cost of inventories sold including system development cost and installation cost	84,073	97,499
Depreciation for property and equipment	3,781	3,316
Amortisation of intangible assets	1,197	1,044
Auditor's remuneration	780	772
Impairment losses on trade receivables and contract assets	716	–
Impairment loss on loan to an investee	752	–
Impairment losses on intangible assets	3,155	–
Research and development expenses (included in staff cost and other operating expenses)	4,567	2,466
	<u>4,567</u>	<u>2,466</u>

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
(Loss) Earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	<u>(12,882)</u>	<u>5,739</u>
	2024 <i>'000</i>	2023 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>1,050,500</u>	<u>1,050,500</u>
Weighted average number of ordinary shares in issue	1,050,500	1,050,500
Effect of share options granted	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>1,050,500</u>	<u>1,050,500</u>

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options because the exercise price of those options was higher than the average market price for Shares for the years ended 31 March 2024 and 2023.

10. DIVIDEND

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
2023 Special dividend – HK1.20 cents per share	12,606	–
2023 Final dividend – HK0.50 cents per share (2023: 2022 Final dividend – HK0.50 cents per share)	<u>5,253</u>	<u>5,253</u>
	<u>17,859</u>	<u>5,253</u>

Dividend of approximately HK\$17,859,000 was paid during the year ended 31 March 2024 (2023: HK\$5,253,000). Subsequent to the end of the reporting period, no dividend has been proposed (2023: a final dividend of HK0.50 cents and a special dividend of HK1.20 cents per share).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND LOAN TO AN INVESTEE

Financial assets at FVTOCI comprise:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Equity instrument designated as FVTOCI		
– Unlisted	<u>6,634</u>	<u>13,710</u>

On 25 March 2021, Top Luck Development Limited (祥高發展有限公司) (“**Top Luck**”), a wholly-owned subsidiary of the Company, has entered into a shareholders’ agreement with two independent third parties of the Group (the “**Independent Third Parties**”) and a related company, which is controlled and substantially owned by Mr. Zhong Naixiong, a director of the Company (the “**Related Company**”), in relation to a commitment of capital contribution of RMB2,000,000 in Top Luck’s investment in a 4% equity interest of Changzhou Guoyun Green Data Technology Co., Limited* (常州國雲綠色數據技術有限公司) (“**Changzhou Guoyun**”).

In August 2021, the registered capital of Changzhou Guoyun increased from RMB50,000,000 to RMB350,000,000 for the purpose of funding the development of the IDC center in the PRC and Top Luck and the Related Company entered into a new shareholders’ agreement (the “**New Shareholders’ Agreement**”) pursuant to which the commitment of capital contributions of the Related Company and Top Luck increased to RMB168,000,000 and RMB7,000,000 respectively (the “**Committed Capital Contributions**”). The timing for payment of the balance of the registered capital of Changzhou Guoyun in the sum of RMB175,000,000 is subject to further agreement between Top Luck and the Related Company. The Committed Capital Contributions in respect of Top Luck’s 4% investment in Changzhou Guoyun in the sum of RMB7,000,000 (equivalent to approximately HK\$8,586,000) was fully paid and recognised as financial assets at FVTOCI in the consolidated statement of financial position as it is held for long-term investment purpose.

* *English name for identification purpose only*

Pursuant to the New Shareholders’ Agreement, any further capital contributions provided by the shareholders of Changzhou Guoyun in addition to the Committed Capital Contributions shall not be regarded as paid-up capital of Changzhou Guoyun but in the form of shareholders’ loans to Changzhou Guoyun, unless and until a further agreement is made between the Related Company and Top Luck to convert the same into paid-up capital.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loan to an investee	<u>6,801</u>	<u>8,001</u>

The movements in loan to an investee are as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
COST		
As at 1 April	8,001	8,586
Unrealised exchange loss recognised in profit or loss	(448)	(585)
	7,553	8,001
Impairment allowance recognised in profit or loss	(752)	–
As at 31 March	6,801	8,001

As at 31 March 2024, Top Luck has made a shareholder loan of RMB7,000,000 (2023: RMB7,000,000) equivalent to approximately HK\$7,553,000 (2023: HK\$8,001,000), which was in proportion to its 4% equity interest in Changzhou Guoyun, to Changzhou Guoyun which is unsecured, interest-free and repayable on demand. Up to the date of this announcement, the Group has not entered into any further agreement to convert the shareholder loan into paid-up capital of Changzhou Guoyun.

Included in the carrying amount of loan to an investee as at 31 March 2024 is accumulated impairment loss of approximately HK\$752,000 (2023: nil).

In determining the expected credit losses for this asset, the Directors have taken into account the historical default experience, the financial position of the counterparty as well as the future prospects of the industry in which the investee operate obtained from economic expert reports, financial analyst reports, considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of this financial asset occurring within its respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during both years in assessing the loss allowance for loan to an investee.

12. TRADE RECEIVABLES AND CONTRACT ASSETS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	39,648	49,153
Less: impairment allowance	(698)	–
	38,950	49,153
Contract assets	564	463
Less: impairment allowance	(18)	–
	546	463
	39,496	49,616

As at 31 March 2024, the net amount of trade receivables and contract assets arising from contracts with customers amounted to approximately HK\$39,496,000 (2023: HK\$49,616,000) of which approximately HK\$546,000 (2023: HK\$463,000) 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 ranged 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 2024, contract assets of approximately HK\$126,000 (2023: HK\$363,000) are expected to be recovered after one year from the end of reporting period.

The Group generally allows credit periods ranged from 30 days to 180 days to the customers. The following is an ageing analysis of net amount of trade receivables and contract assets, 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.

13. TRADE PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	<u>12,237</u>	<u>15,347</u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 60 days	1,943	5,626
61 to 90 days	378	823
Over 90 days	<u>9,916</u>	<u>8,898</u>
	<u>12,237</u>	<u>15,347</u>

The general credit periods on purchase of goods ranged from 30 days to 180 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

14. BANK BORROWINGS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Secured mortgage loans	<u>14,335</u>	<u>18,431</u>
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	4,096	4,096
More than one year but not exceeding two years	4,096	4,096
More than two years but not exceeding five years	<u>6,143</u>	<u>10,239</u>
	<u>14,335</u>	<u>18,431</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)	10,239	14,335
Carrying amount repayable within one year	<u>4,096</u>	<u>4,096</u>
Amounts shown under current liabilities	<u>14,335</u>	<u>18,431</u>

Borrowings comprise:

	Maturity Date	Effective interest rate	Carrying amount	
			2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Floating-rate borrowings:				
– HKD mortgage loans ⁽ⁱ⁾	25/9/2027	5.99% (2023: 3.37%)	10,952	14,082
– HKD mortgage loans ⁽ⁱⁱ⁾	25/9/2027	5.99% (2023: 3.37%)	<u>3,383</u>	<u>4,349</u>
			<u>14,335</u>	<u>18,431</u>

(i) During the year ended 31 March 2024, the floating rate is lower of Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.4% (2023: 1.4%) or 2.25% (2023: 2.25%) below best lending rate. Repayable in 155 monthly installments commencing from the drawdown of the borrowings.

(ii) During the year ended 31 March 2024, the floating rate is lower of HIBOR plus 1.4 % (2023: 1.4%) or 2.25% (2023: 2.25%) below best lending rate. Repayable in 146 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 years.
- (c) As at 31 March 2024, bank borrowings of approximately HK\$14,335,000 (2023: HK\$18,431,000) were secured by land and buildings of the Group with carrying amounts of approximately HK\$74,892,000 (2023: HK\$77,524,000).

15. SHARE CAPITAL

	Number of share '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised		
At 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024	<u>2,000,000</u>	<u>20,000</u>
Issued and fully paid		
At 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024	<u>1,050,500</u>	<u>10,505</u>

16. EQUITY-SETTLED SHARE OPTION SCHEMES OF THE COMPANY

(a) Share Option Scheme

On 20 April 2021, the Company granted share options (the “**Options**”) under the share option scheme of the Company (the “**Share Option Scheme**”) to Mr. Wang Yanghao (“**Mr. Wang**”), being a senior management of the Company, to subscribe for a total of 3,000,000 shares as disclosed in the announcement of the Company dated 20 April 2021. The 3,000,000 Options granted to Mr. Wang are exercisable from the respective dates set out below until 20 April 2028 (the “**Option Period**”) at the subscription price of HK\$0.54 per Share, which is equivalent to the closing price of the shares on the date immediately before the date of grant:

- (i) as to 900,000 Options, exercisable at any time commencing from the date falling between the first anniversary of the date of grant up to and including the last day of the Option Period;
- (ii) as to 900,000 Options, exercisable at any time commencing from the date falling between the second anniversary of the date of grant up to and including the last day of the Option Period; and
- (iii) as to 1,200,000 Options, exercisable at any time commencing from the date falling on the third anniversary of the date of grant up to and including the last day of the Option Period.

The exercise price of HK\$0.54 per Share was determined in accordance with the scheme rules of the Share Option Scheme, being the highest of:

- (i) the closing price of HK\$0.54 per Share as quoted in the Stock Exchange’s daily quotation sheet on the date of grant;
- (ii) the average closing price of HK\$0.536 per Share as quoted in the Stock Exchange’s daily quotation sheet for the five (5) business days immediately preceding the date of grant; and
- (iii) the nominal value of HK\$0.01 per Share.

The following table discloses movements of the Company's Options held by Mr. Wang.

Date of grant	Exercise period	Exercise price <i>HK\$</i>	Balance as at 31 March 2023 and 31 March 2024
20 April 2021	20 April 2022 – 20 April 2028	0.54	900,000
	20 April 2023 – 20 April 2028	0.54	900,000
	20 April 2024 – 20 April 2028	0.54	1,200,000
			<u>3,000,000</u>

As at 31 March 2024, 1,800,000 Options are exercisable at any time during the Option Period, subject to the terms and conditions of the Share Option Scheme, and the remaining 1,200,000 Options are not yet exercisable. The aggregate 3,000,000 Options, which have not been exercised as at 31 March 2024, represent approximately 0.29% of the shares of the Company in issue at that date. Other than disclosed above, there were no Options granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 March 2024.

The fair value on the date of grant is estimated using a binomial pricing model, taking into account the terms and conditions upon which the Options were granted. The contractual life of the Options granted is 7 years. There is no cash settlement of the Options. The fair value of Options granted during the year ended 31 March 2022 was estimated on the date of grant using the following assumptions:

Dividend yield:	3.03%
Expected volatility:	70%
Risk-free interest rate:	0.86%

The fair value of the Options granted during the year ended 31 March 2022 was HK\$808,000. During the year ended 31 March 2024, the Company has recognised approximately HK\$121,000 (2023: HK\$252,000) of equity settled share-based payment expenses in respect of the Options in the consolidated statement of profit or loss and other comprehensive income.

(b) Share Award Scheme

The Share Award Scheme was adopted by the Company on 3 February 2021. The purpose of the Share Award Scheme is to recognise the contributions by certain employees and persons to the Group, to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

On 20 April 2021, the Company has granted an award of 500,000 Shares (the “**Awarded Shares**”) to Mr. Wang under the Share Award Scheme. Subject to the lock-up condition as set out below and the scheme rules of the Share Award Scheme, the Awarded Shares shall vest in Mr. Wang and Mr. Wang shall have the right to receive the Awarded Shares in accordance with the following vesting schedule:

- (i) as to 150,000 Awarded Shares, representing 30% of the Awarded Shares, on the first anniversary of the date of grant;
- (ii) as to 150,000 Awarded Shares, representing 30% of the Awarded Shares, on the second anniversary of the date of grant; and
- (iii) as to 200,000 Awarded Shares, representing 40% of the Awarded Shares, on the third anniversary of the date of grant.

The vested Awarded Shares (and the vesting of the remaining Awarded Shares) are subject to the condition that Mr. Wang will not dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the relevant vested Awarded Shares during a period of six (6) months commencing on the vesting date of the relevant Awarded Shares.

On 7 May 2021, the 500,000 new Shares were issued and allotted to the trustee under the Share Award Scheme at nominal value under the general mandate granted to the Directors pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 7 August 2020.

During the year ended 31 March 2024, the Company has recognised approximately HK\$40,000 (2023: HK\$83,000) of equity-settled share-based payment expenses in respect of the Awarded Shares in consolidated statement of profit or loss and other comprehensive income.

17. CONTINGENT LIABILITIES

A subsidiary of the Company, 北京能興國雲信息科技有限公司 received a letter of demand dated 11 August 2023 from a supplier in respect of overdue payment amounted to RMB1,691,000 (equivalent to HK\$1,825,000) under a contract of sale and purchase dated 27 March 2023 (the “**Contract**”).

The subsidiary received a further legal letter dated 23 August 2023 received by the subsidiary, pursuant to which it was alleged that the subsidiary shall further be liable to the penalty on overdue payment amounting to approximately RMB338,000 (equivalent to HK\$365,000) pursuant to the terms of the Contract. The Directors do not expect that the litigation will have a material adverse effect on the Group’s financial position or results of operations. No provision for liabilities in this respect has been made in the consolidated financial statements for the year ended 31 March 2024.

18. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 March 2024, Phoenix Times Holdings Limited, the controlling shareholder of the Company, entered into a conditional sales and purchase agreement to sell 600,000,000 shares of the Company with total cash consideration of HK\$138,000,000 to Luxurious Bay Capital Limited, a limited company incorporated in the BVI. Details are set out in the announcement of the Company dated 26 April 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Overall vacancy rate for Hong Kong's commercial property market continued to rise which greatly reduced the demand for installing and upgrading smart office systems, audiovisual equipment and related services. In addition, weak business sentiment and sluggish retail consumption resulted in many trade and commercial activities being put on hold or delayed.

On a positive note, the first five-year plan on the digital economy of the PRC unveiled by the State Council of the PRC which highlighted the sector's role in reshaping the global economic structure and international competition and rolled out targets for its development through 2025 is set to give a positive push to the demand for digital transformation and cloud-based data security services and the Group's business prospects.

BUSINESS REVIEW

During the year under review ("**Reviewing Year**"), the Group maintained its market position as one of Hong Kong's leading service providers of VCMA solutions. The Group's revenue is primarily derived from the provision of (i) VCMA solution and maintenance services; and (ii) cloud-based IT+OT managed services.

Provision of VCMA solution and maintenance services

The decline in revenue from provision of VCMA solution and maintenance services was due to various factors, including increased competition in the market and weak business sentiment. The heightened competition led to pricing pressures and reduced margins, impacting overall sales performance. Additionally, market fluctuations and evolving customer preferences also led to decline in sales. Our VCMA business continued to experience challenges in reducing demand for installing and upgrading smart office systems, audiovisual equipment and related services amidst the high vacancy rate of Grade A office in Hong Kong.

Provision of cloud-based IT+OT managed services

As a result of slower-than-expected post-COVID-19 economic recovery in the PRC during the Reviewing Year, most of the projects postponed under cloud-based IT+OT managed services business. During the Reviewing Year, the Group secured the renewal of the contracts of its existing security product customers in previous years, which started to generate rolling revenue.

FINANCIAL REVIEW

Segment analysis

The table below sets out the Group's revenue by segment:

	Year ended 31 March 2024		Year ended 31 March 2023	
	HK\$'000	%	HK\$'000	%
Provision of VCMA solution and maintenance services:				
– VCMA solution services	104,613	80.4	122,419	77.6
– VCMA maintenance services	17,263	13.3	20,388	12.9
Provision of cloud-based IT+OT managed services:				
– AIoT operation and other services	5,379	4.1	6,022	3.8
– Security services	2,926	2.2	9,015	5.7
Total	<u>130,181</u>	<u>100.0</u>	<u>157,844</u>	<u>100.0</u>

Revenue

The Group's revenue decreased by approximately 17.5% from approximately HK\$157,844,000 for the year ended 31 March 2023 to approximately HK\$130,181,000 for the year ended 31 March 2024.

Revenue generated from VCMA solution services decreased by approximately 14.5% from approximately HK\$122,419,000 for the year ended 31 March 2023 to approximately HK\$104,613,000 for the year ended 31 March 2024, which was mainly attributable market competition and decrease in projects and orders completed in the Reviewing Year.

Revenue generated from VCMA maintenance services decreased by approximately 15.3% from approximately HK\$20,388,000 for the year ended 31 March 2023 to approximately HK\$17,263,000 for the year ended 31 March 2024, which was primarily attributable to the decrease in total maintenance projects correlated to VCMA solution projects.

Revenue generated from AIoT operation and other services and security services decreased by approximately 10.7% and 67.5% from approximately HK\$6,022,000 and approximately HK\$9,015,000 for the year ended 31 March 2023 to approximately HK\$5,379,000 and approximately HK\$2,926,000 for the year ended 31 March 2024 respectively, which was attributable to the postponed business development and on-site solution projects due to slower-than-expected post-Covid-19 economic recovery in the PRC.

Gross operating profit and gross operating profit margin

Gross operating profit is calculated based on the revenue for the year minus the cost of sales 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 and multiplied by 100%.

Gross operating profit decreased by approximately 23.6% from approximately HK\$60,345,000 for the year ended 31 March 2023 to approximately HK\$46,108,000 for the year ended 31 March 2024.

The gross operating profit margin decreased from approximately 38.2% for the year ended 31 March 2023 to approximately 35.4% for the year ended 31 March 2024 mainly due to increase in market competition and reduced in overall gross operating profit margin of VCMA solution services projects.

Staff cost

Staff cost decreased by approximately 2.1% from approximately HK\$41,394,000 for the year ended 31 March 2023 to approximately HK\$40,534,000 for the year ended 31 March 2024 mainly due to decrease in sales commission to staff with declined sales performance during the Reviewing Year.

Depreciation and amortisation

Depreciation and amortisation expenses increased by 14.2% from approximately HK\$4,360,000 for the year ended 31 March 2023 to approximately HK\$4,978,000 for the year ended 31 March 2024 mainly due to full year amortisation recorded during Reviewing Year for the new intangible assets developed in last reporting year.

Other income and net (loss) gain

Other income and net (loss) gain shifted from net gain of approximately HK\$1,160,000 for the year ended 31 March 2023 to net loss of approximately HK\$677,000 for the year ended 31 March 2024, which mainly due to decrease in non-recurring government subsidies from the Employment Support Scheme of approximately HK\$1,568,000 and increase in net exchange loss.

Other operating expenses

Other operating expenses slightly increased by approximately 5.6% from approximately HK\$8,157,000 for the year ended 31 March 2023 to approximately HK\$8,610,000 for the year ended 31 March 2024 mainly due to general increment of professional expenses.

Finance costs

Finance costs significantly increased by approximately 46.1% from approximately HK\$710,000 for the year ended 31 March 2023 to approximately HK\$1,037,000 for the year ended 31 March 2024 as the general interest rate had increased during the Reviewing Year.

Income tax credit (expenses)

Income tax expenses changed from approximately HK\$1,644,000 for the year ended 31 March 2023 to income tax credit approximately HK\$23,000 for the year ended 31 March 2024, which was mainly due to decrease in taxable profit in Hong Kong during the Reviewing Year.

(Loss) profit for the year

The financial results for the year ended 31 March 2023 shifted from profit of approximately HK\$5,240,000 to loss of approximately HK\$14,328,000 for the year ended 31 March 2024, which was mainly due to the decrease in gross profit of approximately HK\$14,237,000 and non-recurring government subsidies from the Employment Support Scheme of approximately HK\$1,568,000, and increase in impairment on intangible assets of HK\$3,155,000.

PROSPECT

Looking ahead, the Group will continue to maintain and strengthen its position as one of Hong Kong's leading VCMA solution providers. As the economy in Hong Kong continues to recover, our Group is well-positioned to take advantage of the positive trends. With a strategic focus on innovation and adaptability, we are committed to capitalizing on emerging opportunities and contributing to the Hong Kong economic resurgence. The Government's financial management and proactive approach to market dynamics, coupled with the supportive government policies, such as introducing a number of initiatives encouraging international and mainland companies to set up and expand their business operations in Hong Kong, will provide opportunities to us and we expect that demand for VCMA solution services will increase gradually.

Our Directors believe that our past success and future prospects are based on our experienced management team, which has extensive experience and technical expertise in the VCMA solution business in Hong Kong. Our management team's sound technical knowledge in the VCMA solution industry, extensive commercial experience and business acumen have enabled us to build an extensive clientele, and develop strong expertise in the industry. Going forward, our Directors believe that we will continue to benefit from the sound business judgment and managerial expertise of our management team for expansion of our business.

In the course of performing this client's engagements, our service teams took note of the high service quality and standard requested by the client and our ability to meet its overall requirements. Our Group will continue to enhance our skills level and expertise so that we would be able to deliver more quality products and services to our clients.

Beijing National Greenfield Technology Co., Limited* (北京能興國雲信息科技有限公司) ("**Beijing National Greenfield**"), a subsidiary of the Company, is dedicated to advancing its products, solutions, and service capabilities through the integration of security, IoT, and big data technologies. The "next generation intelligent operation and management platform" is a versatile tool designed to cater to a wide range of customer needs, encompassing data center smart management, smart building management, smart park management, and smart city management. This platform equips customers with comprehensive end-to-end analysis capabilities, full lifecycle management, streamlined management processes, and improved energy consumption management, resulting in substantial operational cost reductions. During the Reviewing Year, Beijing National Greenfield encountered a decline in performance, with projects suspended and new project

launches delayed. In response, the Group's management is diligently evaluating project progress. Should project delays persist, the Group may contemplate reducing its business operations or re-evaluating its business development strategies.

With our extensive experience in VCMA solutions, increasing demand of the public cloud services market, and strong management team leading our cloud-based IT+OT managed services business, we believe that the Group will be able to achieve rapid growth in the coming years.

We will adopt a prudent yet proactive development strategy and continue to identify potential investment opportunities, seizing every opportunity to build sustainable success, and delivering satisfactory long-term returns to our Shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's operations and investments were financed principally by cash generated from its own business operations and bank borrowings. As at 31 March 2024, the Group had net current assets of approximately HK\$50,014,000 (2023: HK\$75,522,000) and cash and cash equivalents of approximately HK\$35,819,000 (2023: HK\$49,437,000). Current liabilities of the Group as at 31 March 2024 included carrying amount of approximately HK\$10,239,000 (2023: HK\$14,335,000) 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 2024, the gearing ratio (calculated on the basis of total debt divided by total assets) of the Group was approximately 7.8% (2023: 7.8%).

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 2024, the Group did not have material capital commitments (2023: nil).

CAPITAL STRUCTURE

The Company's shares (the "**Shares**") have been listed on the Main Board of the Stock Exchange since 18 December 2019.

On 7 May 2021, a total of 500,000 new Shares were issued under the Share Award Scheme at nominal value under the general mandate. Details are set out in the section headed "Share Award Scheme".

On 19 August 2021, the Company has completed a placing of 50,000,000 new Shares under the general mandate. Details of the placing are set out in the section headed "Use of Proceeds" below.

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section headed "Use of Proceeds" below and details of financial assets at fair value through other comprehensive income and loan to an investee set out in note 11 to the consolidated financial statements in this annual report, the Group did not have any plans for material investments or capital assets as of 31 March 2024.

CHARGE ON THE GROUP'S ASSETS

As at 31 March 2024, land and buildings of approximately HK\$74,892,000 (2023: HK\$77,524,000) were pledged to secure banking facilities granted to the Group.

CONTINGENT LIABILITIES

Save as disclosed in note 17 to the consolidated financial statements in this announcement, the Group has no material contingent liabilities as at 31 March 2024 (2023: 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 a system and allocated resources to ensure ongoing compliance with rules and regulations. During the Reviewing Year, the Group has complied, to the best of the Directors' knowledge, with the Securities and Futures Ordinance, 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 Reviewing Year, to the best of the Directors' knowledge, the Group had not experienced any material environmental incidents arising from its operation. During the Reviewing 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 2024, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2024, the Group employed 83 (2023: 84) 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 placing of 50,000,000 new Shares to not less than six independent places at the placing price of HK\$0.57 per placing share on 19 August 2021 (the “**Placing**”), after deduction of the placing commission and other costs and expenses relating to the Placing, amounted to approximately HK\$27,530,000 (“**Net Proceeds**”).

On 30 December 2021, the Board has resolved to change the intended use of the unutilised Net Proceeds and updated timeline for utilisation of the Net Proceeds for more efficient use of the Group’s financial resources.

On 14 April 2022, the Board has resolved to extend the timeline for utilisation of the Net Proceeds intended to be used for the development of IT+OT and VCMA solution services business in the PRC to on or before 31 March 2023 in light of the continuing uncertainty brought about by the COVID-19 pandemic. During the Reviewing Year, the remaining Net Proceeds of HK\$6.26 million intended to be used for the development of IT+OT business in the PRC have been fully utilised and within the intended timeline, while the remaining Net Proceeds of HK\$3.79 million intended to be used for enhancing the development of VCMA solution services in the PRC have not yet been utilised due to the prolonged COVID-19 restrictions for the majority of the Reviewing Year which resulted in an unexpectedly adverse effect on the demand for VCMA solution services. Accordingly, on 21 June 2023, the Board has further resolved to extend the timeline for utilisation of the remaining part of Net Proceeds intended to be used for development of VCMA solution services business in the PRC to on or before 31 March 2024 in light of the continuing uncertainty brought about by the COVID-19 pandemic.

On 17 November 2023, the Board has further resolved to change the intended use and timeline of the unutilised Net Proceeds of HK\$3.79 million to development of IT+OT business in the PRC to be utilised on or before 30 September 2024 for more efficient use of the Group’s financial resources.

Set out below a breakdown of the utilisation of the Net Proceeds up to 31 March 2024 and the timeline for the utilisation of the remaining Net Proceeds:

	Planned use of Net Proceeds as stated in the announcement dated 11 August 2021 (HK\$' million)	Revised use of Net Proceeds as stated in the announcement dated 30 December 2021 (HK\$' million)	Further revised use of Net Proceeds as stated in the announcement dated 17 November 2023 (HK\$' million)	Amount of Net Proceeds used during the year ended 31 March 2024 (HK\$' million)	Actual use of Net Proceeds up to 31 March 2024 (HK\$' million)	Amount of remaining proceeds as at 31 March 2024 (HK\$' million)	Expected timeline for utilising the remaining proceeds
Enhancing the development of VCMA solution services business in the PRC	12.39	3.81	0.02	–	0.02	–	N/A
Development of IT+OT business in the PRC	12.39	12.39	16.18	0.92	13.31	2.87	on or before 30 September 2024
Working capital and general corporate purposes	2.75	2.75	2.75	–	2.75	–	N/A
Payment of the capital commitment by the Group in Changzhou Guoyun	N/A	8.58	8.58	–	8.58	–	N/A
Total:	27.53	27.53	27.53	0.92	24.66	2.87	

The unused Net Proceeds amounting to approximately HK\$2.87 million were deposited in licensed banks in Hong Kong.

Further details of the Placing and the change in the intended use and timeline of the unutilised net proceeds were set out in the Company's announcements dated 11 August 2021, 19 August 2021, 21 June 2023 and 17 November 2023, respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2024, 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 Part 2 of the Corporate Governance Code (the "CG Code") in Appendix C1 to the Listing Rules 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 code provisions set out in Part 2 of the CG Code during the year ended 31 March 2024 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 the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules. 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 2024.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the “**AGM**”) is scheduled to be held on Thursday, 22 August 2024. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 19 August 2024 to Thursday, 22 August 2024 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 16 August 2024.

EVENTS AFTER THE REPORTING PERIOD

Possible mandatory unconditional cash offer

Subsequent to the year ended 31 March 2024, on 3 April 2024, Phoenix Time Holdings Limited (the “**Vendor**”), which is 100% owned by Mr. Zhong Naixiong (“**Mr. Zhong**”), an executive director and the controlling shareholder of the Company, Luxurious Bay Capital Limited (the “**Offeror**”), and Mr. Zhong entered into the sale and purchase agreement (the “**Sale and Purchase Agreement**”), pursuant to which the Vendor has conditionally agreed to sell and the Offeror has conditionally agreed to acquire the sale shares, being an aggregate of 600,000,000 Shares (representing approximately 57.12% of the issued share capital of the Company), for a total cash consideration of HK\$138,000,000, representing HK\$0.23 per sale share. Further details of the Sale and Purchase Agreement have been disclosed in the joint announcement of the Offeror and the Company dated 26 April 2024.

Pursuant to Rules 26.1 and 13.5 of the Takeovers Code, the Offeror will therefore upon completion be required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it) and for the cancellation of all outstanding share options granted under Share Option Scheme.

As at the date of this announcement, completion of the Sale and Purchase Agreement has not yet taken place.

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 2024 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 2024. 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 2024.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company on or before 31 July 2024.

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

Hong Kong, 21 June 2024

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. Lai Kai Ming Ricky, Mr. Lum Pak Sum and Ms. Wu Hung Yu.