匯聚科技有限公司
TIME Interconnect Technology Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1729)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

FINANCIAL HIGHLIGHTS

Financial and Statistical Highlights

For the six months ended 30 September	**2019 (unaudited)**	2018 (unaudited)	Change
Operating results (HK$'million)			
Revenue	**801.9**	835.6	–4.0%
Gross profit	**174.8**	184.4	–5.2%
Total profit for the period	**77.4**	88.4	–12.4%
Basic earnings per share (Hong Kong cents)	**4.2**	4.8	–12.5%
Key ratios (%)			
Gross profit margin	**21.8**	22.1	–0.3pts
Net profit margin	**9.7**	10.6	–0.9pts
EBITDA/Revenue	**14.4**	14.0	0.4pts

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Time Interconnect Technology Limited (the "**Company**") is pleased to announce the condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 September 2019 (the "**Reporting Period**"), together with the comparative figures for the six months ended 30 September 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		Six months ended	
		30.9.2019	30.9.2018
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**801,882**	835,570
Cost of goods sold		**(627,075)**	(651,134)
Gross profit		**174,807**	184,436
Other income		**1,570**	3,419
Other gains and losses		**(2,283)**	(11,947)
Distribution and selling expenses		**(11,553)**	(11,881)
Administrative expenses		**(38,101)**	(30,850)
Research and development expenses		**(23,887)**	(25,166)
Finance costs		**(2,475)**	(1,101)
Profit before taxation	*4*	**98,078**	106,910
Taxation	*5*	**(20,722)**	(18,510)
Profit for the period		**77,356**	88,400
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**(24,351)**	(16,636)
Total comprehensive income for the period		**53,005**	71,764
Earnings per share			
— Basic (HK cents)	*7*	**4.20**	4.80
— Diluted (HK cents)		**4.15**	4.80

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	**30.9.2019** *HK$'000* **(unaudited)**	31.3.2019 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**160,914**	175,152
Prepaid lease payments		**–**	83,355
Right-of-use assets		**118,793**	–
Deposits paid for acquisition of property, plant and equipment		**2,841**	2,315
Rental deposits		**719**	1,064
		283,267	261,886
Current assets			
Inventories		**169,703**	186,623
Trade and other receivables	*8*	**313,095**	197,755
Contract assets		**3,210**	1,644
Prepaid lease payments		**–**	2,017
Tax recoverable		**–**	583
Pledged bank deposits		**13,627**	16,260
Bank balances and cash		**233,403**	223,808
		733,038	628,690
Current liabilities			
Trade and other payables	*9*	**325,990**	286,084
Contract liabilities		**351**	80
Lease liabilities		**4,096**	–
Taxation payable		**15,057**	5,284
Unsecured bank borrowings		**65,584**	49,233
		411,078	340,681
Net current assets		**321,960**	288,009
Total assets less current liabilities		**605,227**	549,895
Non-current liabilities			
Lease liabilities		**35,833**	–
Deferred tax liabilities		**848**	817
		36,681	817
		568,546	549,078
Capital and reserves			
Share capital		**18,400**	18,400
Reserves		**550,146**	530,678
Total equity		**568,546**	549,078

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**") while the functional currency of the Company is United States dollars. The reason for selecting HK$ as the Company's presentation currency is that the directors of the Company consider that it is more relevant to the users of the condensed consolidated financial statements as the Company listed its shares on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

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

Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("**HKAS 17**"), and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of staff quarter and office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight- line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the condensed consolidated financial statements.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) -Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease. The application of new definition of a lease does not have material impact on condensed consolidated financial statements.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease terms which end within 12 months of the date of initial application.

At the date of initial application, 1 April 2019, the Group adopted the HKFRS 16.C8 (b)(ii) and recognised the right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position immediately before 1 April 2019.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$44,327,000 and right-of-use assets of HK$130,016,000 at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entity at the date of initial application. The lessee's incremental borrowing rate applied is ranged from 4.75% to 5.64%.

	At 1 April 2019 *HK$'000*
Operating lease commitments disclosed as at 31 March 2019	58,535
Less: Recognition exemption — short-term leases	(1,445)
	57,090
Lease liabilities discounted at relevant incremental borrowing rate as at 1 April 2019	44,327
Analysed as:	
Current	4,081
Non-current	40,246
	44,327

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Right-of-use assets *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	44,327
Reclassified from prepaid lease payments *(Note a)*	85,372
Adjustments on rental deposits at 1 April 2019 *(Note b)*	317
	130,016
By class:	
Leasehold land	85,372
Land and building	44,644
	130,016

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 April 2019**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Prepaid lease payments *(Note a)*	83,355	(83,355)	–
Right-of-use assets *(Notes a and b)*	–	130,016	130,016
Rental deposits *(Note b)*	1,064	(317)	747
Current assets			
Prepaid lease payments *(Note a)*	2,017	(2,017)	–
Current liabilities			
Lease liabilities	–	(4,081)	(4,081)
Non-current liabilities			
Lease liabilities	–	(40,246)	(40,246)

Notes:

(a) Upfront payments for leasehold lands in the People's Republic of China ("**PRC**") were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$2,017,000 and HK$83,355,000 respectively were reclassified to right-of-use assets.

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$317,000 was adjusted from rental deposits to right-of-use assets. The transition to HKFRS 16 resulted in no material impact on accumulated profits at 1 April 2019.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable by the Group in respect of the manufacturing and sales of cable assembly products. For the purposes of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Company) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies applied by the Group. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

The Group's revenue is with fixed price and in short term contracts. Revenue amounting to HK$376,521,000 (six months ended 30 September 2018 (unaudited): HK$294,701,000) for the six months ended 30 September 2019 is recognised over time and the remaining revenue is recognised at a point in time.

Revenue from its major products

The following is an analysis of the Group's revenue from its major products:

	Six months ended	
	30.9.2019	30.9.2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Optical fibres	**464,785**	380,446
Copper	**337,097**	455,124
	801,882	835,570

Geographical information

Information about the Group's revenue from external customers presented based on the geographical location of the base of the customers is as follows:

	Six months ended	
	30.9.2019	30.9.2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
PRC	**371,937**	475,875
The United States of America	**313,359**	197,250
Netherlands	**79,992**	119,998
Hong Kong	**6,166**	12,167
Others	**30,428**	30,280
	801,882	835,570

4. PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2019	30.9.2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Interests on:		
— bank borrowings	**1,133**	1,101
— lease liabilities	**1,342**	—
	2,475	1,101
Depreciation of property, plant and equipment	**11,156**	8,835
Depreciation of right-of-use assets	**3,666**	—
Loss on disposal of property, plant and equipment	**26**	—
Net foreign exchange loss	**2,257**	11,947
Bank interest income	**(363)**	(764)
Written off of inventories	**1,197**	3,054

5. TAXATION

	Six months ended	
	30.9.2019	30.9.2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**12,379**	9,541
PRC Enterprise Income Tax ("**EIT**")	**8,312**	12,786
	20,691	22,327
Overprovision of tax in prior years:		
PRC EIT	**–**	(3,824)
Deferred taxation charge	**31**	7
	20,722	18,510

(i) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

(ii) PRC EIT

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both periods.

6. DIVIDENDS

During the current interim period ended 30 September 2019, a final dividend of HK2 cents per ordinary share in respect of the year ended 31 March 2019 (six months ended 30 September 2019 (unaudited): HK1 cent per ordinary share in respect of the year ended 31 March 2018) was declared to the shareholders of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to HK$36,800,000 (2018: final dividend declared amounted to HK$18,400,000).

On 25 November 2019, the Board has resolved to declare an interim dividend of HK1 cent per ordinary share totalling HK$18,400,000 for the six months ended 30 September 2019.

7. EARNINGS PER SHARE

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

	Six months ended	
	30.9.2019	30.9.2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings for the purpose of calculating basic earnings per share and diluted earnings per share (profit for the period)	**77,356**	88,400

	Six months ended	
	30.9.2019	30.9.2018
	'000	*'000*
Weighted average number of shares for the purpose of calculating basic earnings per share	**1,840,000**	1,840,000
Effect of dilutive potential ordinary shares:		
– share options	**24,340**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,864,340**	1,840,000

The computation of diluted earnings per share for the period ended 30 September 2018 did not assume the exercise of the Company's share options because the adjusted exercise price of the share options (after the adjustment of the fair value of the unvested share options) was higher than the average market prices of shares of the Company during the period ended 30 September 2018.

8. TRADE AND OTHER RECEIVABLES

The following is an aging analysis of trade and bills receivables presented based on the invoice date, which approximated the revenue recognition date:

	30.9.2019	31.3.2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 30 days	**152,895**	108,740
31 to 60 days	**70,015**	21,661
61 to 90 days	**58,617**	23,887
Over 90 days	**5,199**	9,914
	286,726	164,202

The Group allows a credit period ranging from 30 to 120 days to its trade customers.

9. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables presented based on the invoice date:

	30.9.2019	31.3.2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 30 days	**121,490**	113,586
31 to 60 days	**90,065**	33,448
61 to 90 days	**31,778**	53,821
91 to 120 days	**32,525**	54,852
Over 120 days	**16,773**	252
	292,631	255,959

The credit period granted by suppliers ranges from 30 to 120 days.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the Reporting Period, the pace of global economic growth has continued to slow down due to the trade tariffs imposed by major economies, particularly between the United States and China. In spite of the challenges in the macro-economy environment and the difficulties brought by RMB depreciation, the Group reported solid operating results during the Reporting Period, benefiting from its sensible business strategies and unique customer profile.

In face of the challenges brought by the Sino-U.S. trade war, the Group has been taking strategic measures to avoid the additional tariffs imposed on its products to be shipped to the United States, so as to mitigate the impact of the trade war on its businesses. Meanwhile, the Group has adopted certain actions to lower the impact of the RMB depreciation, and successfully narrowed the exchange loss to HK$2.3 million for the Reporting Period as compared to a loss of HK$11.9 million for the previous financial period.

In the past half year, the Group continued to pay great efforts in solidifying its customer base by developing relationships with leading international customers and further enhancing the business relationships with existing customers. During the Reporting Period, the Group has successfully captured new customers and carried out the fundamental works for cooperation. In the meantime, the Group has pushed forward to improve its research and development ("**R&D**") capabilities and improve its product mix, so as to elevate the Group's overall competitiveness and seize the huge opportunities generated from the arrival of next-generation 5G networking technology.

Revenue

The Group's revenue for the Reporting Period slightly decreased by 4.0% to HK$801.9 million from HK$835.6 million in the previous financial period. One of the major reasons was RMB depreciation impact, during the Reporting Period the average foreign currency exchange rate from converting Renminbi into Hong Kong dollars was 4.8% lower than the same period last year. The Renminbi revenue converted in Hong Kong dollars decreased HK$18.9 million which represented 2.4% of the Group's revenue. Telecommunication, medical equipment and industrial equipment sectors were also affected by this impact and reduced revenue. Meanwhile, the trade and tariff disputes between the United States and China caused the overall slowdown of global macro-economy. It created different degree of impact on the telecommunication and industrial equipment sector.

All of the Group's business sectors have different degrees of change in revenue, and the decrease in revenue was mainly driven by the lower sales in telecommunication and industrial equipment sectors.

For the six months ended 30 September

Market Sector	**2019**		2018		Change	
	HK$'million	%	*HK$'million*	%	*HK$'million*	%
Data centre	**396.5**	**49.4%**	323.7	38.7%	72.8	22.5%
Telecommunication	**313.0**	**39.0%**	391.1	46.8%	(78.1)	–20.0%
Medical equipment	**65.4**	**8.2%**	74.8	9.0%	(9.4)	–12.6%
Industrial equipment	**27.0**	**3.4%**	46.0	5.5%	(19.0)	–41.3%
Total	**801.9**	**100.0%**	835.6	100.0%	(33.7)	–4.0%

Data centre sector: In April 2019, the Group has changed the supply source away from China for the certain major components of products to be shipped to the United States for avoidance of the additional tariffs. Besides, the Group also procured the "Country of origin and Marking Ruling" from the U.S. Customs and Border Protection for the fibre cable assembly products in February 2019. Accordingly, the fibre cable assembly products will not be subjected to additional tariffs when importing into the United States anymore even though the major components are purchased from China. The shipments of the data centre sector were back to the normal level as before the Sino-U.S. trade war since May 2019. The revenue has substantially increased by 22.5% to HK$396.5 million during the Reporting Period as compared to HK$323.7 million for the previous financial period.

Telecommunication sector: It recorded a decrease of revenue from HK$391.1 million in the previous financial period to HK$313.0 million for the Reporting Period, representing a decrease of 20.0%. Besides the RMB depreciation impact, the decrease was mainly attributable to the impact from the United States had added the Company's largest customer to the entity list under Export Administration Regulations. The Company has been seeking for any kind of measures to mitigate the impact of trade war on its businesses.

Medical equipment sector: The revenue recorded a mild decrease of 12.6% from HK$74.8 million for the previous financial period to HK$65.4 million for the Reporting Period. Such decrease was due to slowdown of orders by the largest medical equipment customer in order to consume the inventory backlog. Orders are expected to resume for the rest of the year.

Industrial equipment sector: The revenue dropped 41.3% from HK$46.0 million for the previous financial period to HK$27.0 million for the Reporting Period. The decrease was mainly due to the turmoil from the Sino-U.S. trade war and the overall slowdown on the growth of the global economy.

Segment Information

Segmental information is presented for the Group as disclosed on Note 3 to the condensed consolidated financial statements.

Gross Profit/Margin

Gross profit for the Reporting Period was HK$174.8 million, a decrease of HK$9.6 million or 5.2% compared to the HK$184.4 million recorded in the previous financial period. Gross profit margin slightly decreased from 22.1% to 21.8%. Although the Group has 1.1% improvement on the cost of materials as percentage of revenue due to the materials cost savings program during the financial period. But for the direct labour costs and manufacturing overheads as a percentage of revenue, they were higher than the same period last year due to the labour shortage and depreciation of new factory increase.

Operating Profit/Margin

Operating profit (excluding the professional fee for the Possible Acquisition and finance costs) for the Reporting Period was HK$106.2 million, which represented a decrease of HK$1.8 million as compared with the previous financial period. Operating profit margin was recorded at 13.2% for the Reporting Period compared to 12.9% in the previous financial period. The ratio of EBITDA (excluding the professional fee of the Possible Acquisition) to revenue increased to 15.1% from 14.0% in the previous financial period.

Other income comprising of primarily bank interest income, government grants, handling income was in aggregate HK$1.6 million for the Reporting Period, representing a decrease of 52.9% as compared with the previous financial period due to decrease of government grants and bank interest income.

Other gains and losses were recorded a loss of HK$2.3 million for the Reporting Period compared to a loss of HK$11.9 million for the previous financial period. Such loss was due to the exchange loss from RMB depreciation at HK$2.3 million, which was attributable to the Group's operations in the ordinary course of business, as compared to an exchange loss of HK$11.9 million in the previous financial period.

The total operating expenses were HK$67.9 million, same as the last financial period. Total operating expenses as a percentage of Group's revenue slightly increased from 8.1% to 8.5%.

Distribution and selling expenses decreased from HK$11.9 million to HK$11.6 million, a decrease of 2.5% compared with the previous financial period. It was mainly attributable to the decrease of freight and transportation cost. As a percentage of Group's revenue, distribution and selling expenses remain stable at 1.4%, same as the last financial period.

Administrative expenses increased from HK$30.9 million to HK$32.4 million over the same period last year. The increase was mainly due to the increase of share option expenses HK$2.8 million. Administrative expenses as a percentage of revenue increased from 3.7% to 4.0% for the Reporting Period.

During the Reporting Period, the research and development expenses were HK$23.9 million, which represented a decrease of 5.2% compared with the previous financial period. It was mainly attributable to the decrease of materials cost and testing fee. Research and development expenses as a percentage of Group's revenue remain stable at 3.0%, same as the last financial period. The Company continuously increased its efforts in R&D by expanding the team to further enhance its R&D capabilities in respect of launching new products and technologies.

Professional fee for the Possible Acquisition

The Company is in the process of negotiation with Linkz Industries Limited ("**Linkz Industries**"), being the controlling shareholder of the Company, for the possible acquisition of the business of manufacturing and sales of networking cables engaged by the relevant subsidiaries of Linkz Industries (the "**Possible Acquisition**"). No binding agreement has been signed by the parties in relation to the Possible Acquisition as at 30 September 2019. The professional fee incurred in connection with the Possible Acquisition was approximately HK$5.6 million.

Finance Costs

The finance costs represent bank loan interest HK$1.1 million for bank borrowings and interest expenses HK$1.4 million on the lease liabilities under adoption of HKFRS 16, which is effective from 1 April 2019. For the Reporting Period, the finance costs was recorded at HK$2.5 million against HK$1.1 million for the last financial period.

Total Profit for the six months ended 30 September 2019 and Earnings per Share

Total profit of the Group for the Reporting Period was HK$77.4 million, a decrease of HK$11.0 million as compared to the last financial period. By excluding the professional fee for the Possible Acquisition, total profit was HK$83.0 million and net profit margin was recorded at 10.4% as compared to 10.6% in the previous financial period.

Taxation represents the tax expenses arising from the assessable profit generated by the Group in Hong Kong and PRC. Taxation was provided at the respective tax rate of 16.5% and 25% based on the profit from operating activities. Taxation charges increased from HK$18.5 million in the last financial period to HK$20.7 million in the Reporting Period. The effective tax rate increased from 17.3% to 21.1%.

Basic earnings per share for the Reporting Period was HK4.2 cents as compared to HK4.8 cents in the previous financial period.

Dividends

The Board is pleased to declare an interim dividend of HK1 cent per share, amounting to a total of approximately HK$18.4 million.

OUTLOOK

Being benefit from the further development in the 5G network and the growing trend of big data processing, the cable assembly industry is expected to sustain growth in the coming years. To meet with the market demand, the Group is striving to enhance its production capacity by acquiring a parcel of industrial land with two industrial buildings for the production, with 24 production lines were installed. The Directors remain confident that the Group's enlarged production capacity, together with its cutting-edge technologies and well-established business fundamentals would enable it to capture the market opportunities and outperform its potential upon the arrival of the next-generation 5G network.

In the recent years, a new world is coming with the next-generation 5G network being realised gradually. According to a report released by Global System for Mobile Communication Association and Global TD-LTE Initiative, China is expected to become the world's largest 5G market by 2025, accounting for 430 million 5G connections, or one-third of the global total. With the 5G network deployment pushing forward in China, the demand for optical fibre cable are believed to grow outstandingly and the Directors are confident on the Group's future performance in the telecommunication and data centre sector as its customers are the primary network equipment suppliers to the three nationwide mobile operators, namely China Mobile, China Unicom and China Telecom.

For the medical equipment sector, the Directors expect it to resume growth momentum in the rest of the year, as the inventory backlog for the largest medical equipment customer are being consumed and the orders have recovered since October. In view of the constant increasing demand for medical care services, the Group will continuously enhance its R&D capabilities in respect of launching such medical-grade products and technologies. The Group will also strive to secure new customers to further improve its market share and strengthen its position in medical equipment sector.

In the recent half year, the Sino-U.S. trade tensions have continued and erupted into a full-blown trade war. Though the United States announced to delay tariff increase for Chinese goods following a meeting between both countries in October, uncertainties still surrounding the global economy and bringing negative impact to the industries inevitably. Under such circumstances, revenue of industrial equipment sector becomes difficult to predict. The Group will closely monitor the changes in relevant circumstances and exert itself to grasp business opportunities in order to minimise the risks and uncertainties involved in the unstable economies.

Moving ahead, the Group will continue to stay alert to the changes in economic environment and take prompt and decisive actions to maintain the Group's competitiveness and sustainability. In respect of the additional tariffs that may be raised by the United States on certain Chinese imported goods, the Group has been taking measures to mitigate the impact of trade war on its businesses since 2018. In this condition, the Group has preliminarily assessed that the additional tariffs will not have a material adverse impact on its businesses in the United States in the current fiscal year. Meanwhile, the Group will keep enhancing its business operations, so that it is fully capable to capitalise on an eventual market turnaround.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' funds as at 30 September 2019 were approximately HK$568.5 million, which represented an increase of 3.5% from HK$549.1 million as at 31 March 2019. The increase was mainly due to the profit attributable to equity shareholders for the Reporting Period. On other hand, due to the RMB depreciation, the difference in the foreign currency exchange rate from converting Renminbi into Hong Kong dollars as recorded in the financial statements of the PRC subsidiary decreased by HK$24.4 million. As a result, shareholders' funds per share increased by 3.3% from HK$0.30 to HK$0.31.

As at 30 September 2019, the Group had bank balances and cash of HK$233.4 million, representing an increase of 4.3% as compared to HK$223.8 million as of 31 March 2019. It was mainly due to the increase in cash generated from operating activities during the Reporting Period. As at 30 September 2019, the Group's bank loan was HK$65.6 million, an increase of 33.3% from HK$49.2 million as of 31 March 2019. The Group maintained sufficient banking facilities and did not have any outstanding long-term bank borrowings as at 30 September 2019.

Capital Expenditure

For the Reporting Period, the Group invested HK$7.0 million in the purchase of tangible assets including machinery and equipment, leasehold improvements, office equipment, as well as the improvement of manufacturing working environment. All of these capital expenditures were financed from internal resources.

Charge on Group Assets

Save for the bank deposits that were pledged in order to secure the bills payables issued by the bank under the general banking facilities granted to the Group, as at 30 September 2019 and 31 March 2019, banking facilities extended to the Group were not secured with the Group's assets. Pledged bank deposits amounted to HK$13.6 million and HK$16.3 million as at 30 September 2019 and 31 March 2019 respectively.

Gearing Ratio

Gearing ratio is calculated as total debt divided by total equity and multiplied by 100%. As at 30 September 2019, the Group's gearing ratio was 11.5% as compared to 9.0% as of 31 March 2019.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the Main Board of Stock Exchange on 13 February 2018. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 30 September 2019, the Company's issued share capital was HK$18.4 million and the number of its issued ordinary shares were 1,840,000,000 of HK$0.01 each.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's receipts and payments are denominated in US dollars, Hong Kong dollars, Renminbi and Euro. The Group's management monitors the risk of related foreign exchange risk exposure by entering into forward foreign exchange contracts. Foreign currency exchange rates are volatile and may have an impact on the Group's results. The Group's management evaluates the Group's foreign currency exposure on a continuing basis and takes actions to minimise the Group's exposure whenever necessary.

TREASURY POLICIES

As an internal treasury policy, the Group continues to implement a prudent policy on financial management policy and does not participate in any high risk speculative activities. However, the Group's management monitors exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Save for the net proceeds from the listing, the Group will also monitor and maintain a Hong Kong dollar cash balance in order to minimise the need for unnecessary foreign exchange conversion which may result in exchange loss.

The reporting currency of the Group is presented in Hong Kong dollars, as the Directors consider that it is more relevant to the users of the condensed consolidated financial statements as the Company listed its shares on the Stock Exchange.

CAPITAL COMMITMENTS, CONTINGENT LIABILITIES AND USE OF NET PROCEEDS FROM LISTING

During the Reporting Period, the Company was committed to expand its production capacity by acquiring a new production factory, purchasing of production equipment and upgrading of existing production and quality equipment, which is in line with the use of proceeds from the Listing that was set out in the Prospectus. The net proceeds from the listing of the Company were HK$126.6 million (after deducting underwriting fees and related expenses). The use of the net proceeds from the listing as at 30 September 2019 was approximately as follows:

Use of proceeds	**Percentage of net proceeds**	**Net proceeds**	**Amount utilised**	**Amount remaining**
	%	*HK$'million*	*HK$'million*	*HK$'million*
New production facility	70.0%	88.6	88.6	–
R&D equipment	6.8%	8.6	3.4	5.2
Production machinery	5.9%	7.5	7.5	–
Automation process	12.6%	15.9	5.1	10.8
Marketing development	1.5%	1.9	0.5	1.4
General working capital	3.2%	4.1	4.1	–
Total	100.0%	126.6	109.2	17.4

As of 30 September 2019, the Group had not provided any form of guarantee for any company outside the Group and has not been involved in any material legal proceedings for which provision for contingent liabilities was required.

The capital commitment of the Group is as follows:

	30.9.2019	31.3.2019
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the condensed consolidated financial statements	**2,404**	3,595

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company is in the process of negotiation with Linkz Industries, being the controlling shareholder of the Company, for the possible acquisition of the business of manufacturing and sales of networking cables engaged by the relevant subsidiaries of Linkz Industries. No binding agreement has been signed by the parties in relation to the Possible Acquisition since 30 September 2019 and the parties are in the process of negotiating the terms of the Possible Acquisition.

As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition materialises, it will constitute a notifiable and connected transaction for the Company pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Further announcement(s) in respect of the development of the Possible Acquisition will be made by the Company when and as necessary.

Save as disclosed above, the Group did not have any significant investments held, material acquisition or disposal of subsidiaries and associations for the Reporting Period. There is no other plan for material investments or capital assets for the Reporting Period.

MATERIAL EVENT SINCE THE END OF THE FINANCIAL PERIOD

Apart from the Possible Acquisition as set out in above section, there has been no other important event affecting the Group since 30 September 2019 and up to the date of this announcement.

EMPLOYEE

As of 30 September 2019, the total headcount for the Group was approximately 2,161 employees (30 September 2018: approximately 1,955). Fair and competitive remuneration package and benefits are offered to employees as well as discretionary bonuses and share option. Various types of trainings were provided to the employees. Total employee benefit expenses including Directors' remuneration for the Reporting Period were approximately HK$118.1 million, as compared to approximately HK$99.9 million in the last financial period. Remuneration is determined with reference to performance skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code during the six months ended 30 September 2019.

SHARE OPTION SCHEMES

The Company conditionally adopted a share option scheme on 24 January 2018 (the "**Scheme**"). The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Scheme are set forth in the section headed "Statutory and General Information — E. Share Option Scheme" in Appendix IV to the Prospectus.

A total of 88,992,000 share options were granted on 24 August 2018 (the "**Date of Grant**") under the Scheme with an exercise price of HK$0.349. Basis of determining the exercise price of HK$0.349 per shares was not less than the highest of: (i) the closing price of HK$0.34 per shares as quoted on the Stock Exchange on the Date of Grant; (ii) the average closing price of HK$0.349 per shares as quoted on the Stock Exchange for the 5 business days immediately preceding the Date of Grant; and (iii) the nominal value of HK$0.10 per share.

CORPORATE GOVERNANCE PRACTICE

The Directors are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules on the Stock Exchange. The Company has fully complied with the CG Code during the six months ended 30 September 2019.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 24 January 2018. The chairman of the Audit Committee is Mr. Chan Chung Shun Eric, the independent non-executive Director, and other members included Mr. Ho Hin Shun and Mr. Luk Wai Shing, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the website of the Stock Exchange and on the Company's website.

The primary duties of the Audit Committee are to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Audit Committee has reviewed with the management of the Company on the accounting principles and practices adopted by the Group, the interim report and the interim results announcement of the Group for the six months ended 30 September 2019, and is of the view that such results comply with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

CLOSURES OF REGISTER OF MEMBERS

In order to qualify for the entitlement to the proposed interim dividend, the register of members of the Company will be closed from Tuesday, 10 December 2019 to Thursday, 12 December 2019, both days inclusive, during which period no transfer of shares in the Company will be registered. All transfer of shares, accompanied by the relevant share certificates, must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 9 December 2019. The proposed interim dividend is expected to be paid on or before Tuesday, 7 January 2020.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 September 2019 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certified Public Accountants, by Messrs. Deloitte Touche Tohmatsu whose unmodified review report is set out on the interim report. The interim results of the Group for the six months ended 30 September 2019 have also been reviewed by the Audit Committee.

APPRECIATION

The Company would like to thank the Group's customers, suppliers, business partners for their support. Also, the Company would like to offer its highest gratitude to its shareholders for their devotion and to the Group's employees for their loyalty and contributions made during the period.

By order of the Board
Time Interconnect Technology Limited
Cua Tin Yin Simon
Executive Director and Chief Executive Officer

Hong Kong, 25 November 2019

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Cua Tin Yin Simon and Mr. Wong Chi Kuen, one non-executive Director, namely Mr. Lo Chung Wai Paul and three independent non-executive Directors, namely Mr. Ho Hin Shun, Mr. Luk Wai Shing and Mr. Chan Chung Shun Eric.