



hmvod Limited

hmvod 視頻有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8103)

**FIRST QUARTERLY REPORT
FOR THE THREE MONTHS
ENDED 30 JUNE 2021**

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

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

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

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

HIGHLIGHTS

- Revenue for the three months ended 30 June 2021 amounted to approximately HK\$8.9 million representing an increase of approximately 14.8% as compared to the corresponding period in 2020.
- Loss attributable to the owners of the Company for the three months ended 30 June 2021 amounted to approximately HK\$2.7 million (three months ended 30 June 2020: loss of approximately HK\$3.7 million).
- Basic loss per share for the three months ended 30 June 2021 was approximately HK2.9 cents.
- The Board does not recommend the payment of any dividend for the three months ended 30 June 2021.

The board of Directors (the “**Board**”) of the Company presents the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 30 June 2021, together with the unaudited comparative figures for the corresponding period in 2020 as follows:

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

	<i>Notes</i>	Unaudited	
		Three months ended 30 June	
		2021	2020
		HK\$'000	<i>HK\$'000</i>
Revenue	4	8,933	7,783
Other income and gains	5	206	73
Subcontractors costs		(5,893)	(5,833)
Operating and administrating expenses		(3,513)	(2,227)
Amortisation of intangible assets		(1,722)	(1,722)
Finance costs	6	(910)	(2,015)
Loss before tax		(2,899)	(3,941)
Income tax credit	7	283	281
Loss for the period		(2,616)	(3,660)
Other comprehensive income/(expenses)			
Item that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		37	250
Total comprehensive expenses for the period		(2,579)	(3,410)

Unaudited
Three months ended 30 June

	2021	2020
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to:		
Owners of the Company	10 (2,673)	(3,695)
Non-controlling interests	<u> 57</u>	<u> 35</u>
	<u>(2,616)</u>	<u>(3,660)</u>
 Total comprehensive (expenses)/income for the period attributable to:		
Owners of the Company	(2,636)	(3,484)
Non-controlling interests	<u> 57</u>	<u> 74</u>
	<u>(2,579)</u>	<u>(3,410)</u>
 Loss per share (2020: restated)	10	
– Basic and diluted (<i>HK cents</i>)	<u>(2.9)</u>	<u>(26)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2021

	Attributable to owners of the Company							Non- controlling interests	Total
	Share capital	Share premium	Capital reserve	Exchange translation reserve	Accumulated losses	Sub-total	Total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
At 1 April 2020 (audited)	142	510,565	1,200	(470)	(634,152)	(122,715)	(9,689)	(132,404)	
Loss for the period	-	-	-	-	(3,695)	(3,695)	35	(3,660)	
Exchange difference arising on translation of foreign operations	-	-	-	211	-	211	39	250	
Total comprehensive income/ (expenses) for the period	-	-	-	211	(3,695)	(3,484)	74	(3,410)	
At 30 June 2020 (unaudited)	<u>142</u>	<u>510,565</u>	<u>1,200</u>	<u>(259)</u>	<u>(637,847)</u>	<u>(126,199)</u>	<u>(9,615)</u>	<u>(135,814)</u>	
At 1 April 2021 (audited)	909	582,364	1,200	(626)	(642,751)	(58,904)	(8,253)	(67,157)	
Loss for the period	-	-	-	-	(2,673)	(2,673)	57	(2,616)	
Exchange difference arising on translation of foreign operations	-	-	-	37	-	37	-	37	
Total comprehensive income/ (expenses) for the period	-	-	-	37	(2,673)	(2,636)	57	(2,579)	
At 30 June 2021 (unaudited)	<u>909</u>	<u>582,364</u>	<u>1,200</u>	<u>(589)</u>	<u>(645,424)</u>	<u>(61,540)</u>	<u>(8,196)</u>	<u>(69,736)</u>	

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is Unit 1102, 11/F, Eastmark 21 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong. The shares of the Company are listed on the GEM.

2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial statements for the three months ended 30 June 2021 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange and by the Hong Kong Companies Ordinance applicable to interim periods. However, it does not contain sufficient information to constitute an interim financial report as defined in HKFRS.

The principal accounting policies applied in preparing the unaudited condensed consolidated financial statements for the three months ended 30 June 2021 are set out in note 3.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the unaudited condensed consolidated financial statements for the three months ended 30 June 2021 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2021.

Going Concern

In preparing the unaudited consolidated financial statement, the directors of the Company (the "Directors") have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK\$27,591,000 at 30 June 2021. There is a material uncertainty related to these matters that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group has implemented or is in the process of implementing the follow measures:

1. Boost revenue under rolling business plans;
2. Diversify the types of movies, drama and animated comedy series in online platform;
3. Actively negotiating with finance providers for the waiver of the repayable of certain other borrowings and/or extend maturity date of loan and other payables;
4. Actively negotiating with banks or other financial institutions to obtain additional new financing and other source of funding as and when required;
5. Negotiate with bondholders to settle the overdue bond by cash and shares;
6. Fund raising by different ways; and
7. Implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure.

4. REVENUE

Revenue represents the amounts arising from professional services rendered, proprietary trading, money lending business and over the top (“OTT”) services, net of sales related taxes, if any.

An analysis of the revenue by principal activities of the operations of the Group during the reporting periods is as follows:

	Unaudited Three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Type of services, recognised over time:		
– OTT services	8,826	7,718
– Professional services	107	65
	<u> </u>	<u> </u>
Revenue from contracts with customers	<u>8,933</u>	<u>7,783</u>

5. OTHER INCOME AND GAINS

	Unaudited Three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Sundry income	203	70
Exchange gain	1	3
Bank interest income	2	–
	<u> </u>	<u> </u>
	<u>206</u>	<u>73</u>

6. FINANCE COSTS

	Unaudited Three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interest on bank and other borrowings	685	1,659
Interest on bonds	225	356
	<u> </u>	<u> </u>
	<u>910</u>	<u>2,015</u>

7. INCOME TAX EXPENSES/(CREDIT)

	Unaudited	
	Three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current tax		
– Hong Kong Profits Tax	1	3
Deferred tax	(284)	(284)
	<u>(283)</u>	<u>(281)</u>

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the “**Ordinance**”). Under the two-tiered profits tax rate regime, the first \$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance is effective from the year of assessment 2018–2019.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

8. LOSS FOR THE PERIOD

Loss for the period is stated after charging:

	Unaudited	
	Three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Staff costs		
Salaries and other benefits	2,268	1,064
Retirement benefits scheme contribution	54	86
	<u>2,322</u>	<u>1,150</u>
Amortisation of intangible asset	1,722	1,722
Depreciation	142	137
Operating leases	2	2
	<u>2</u>	<u>2</u>

9. DIVIDEND

The Board did not recommend the payment of any dividend for the three months ended 30 June 2021 (2020: Nil).

10. LOSS PER SHARE

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

	Unaudited	
	Three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	<u>(2,673)</u>	<u>(3,695)</u>

Number of shares

	Three months ended 30 June	
	2021	2020
	'000	'000
Weighted average ordinary shares for the purpose of basic and diluted loss per share	<u>90,875</u>	<u>14,226</u>

Diluted loss per share is the same as the basic loss per share as there are no potential dilution ordinary shares in issue.

11. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the presentation of current period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PERFORMANCE AND PROSPECT

Professional services

In view of the change of business environment, the Group has strategically broadened our professional services in cyber security services and solutions.

Our professional service team can provide services and solutions in cyber security, including ramp up model advisory, physical and cyber security assessments, build and design of secured IT architecture, implementation of security devices and IT business policy controls.

Our professional service team specializes in enterprise cyber security solutions and risk management, providing a full range of security services and solutions to corporations in the Greater China and Asia Pacific region.

Our professional service team also provides a series of highly skilled services including all level Penetration testing, complete coverage of Vulnerability management as well as DDoS protection.

Our Managed Security Services team can provide a full scale MSS security, from Firewall healthiness, critical patch management, attack and alert, incident management and change management, to endpoint management in order to cover the end-user machines.

Our professional service team mainly provides four major information security services which are summarized as follows:

1. *IT Security General Control Review and Security Risk Assessment*

We adopt a proven, four-phase security methodology to conduct IT security general control review and security risk assessment services. This methodology has proved itself through many global case studies and offers a repeatable solution with predictable results time after time. Below is an illustration of the methodology:

- a) Discovery – The objective of this phase is to ‘footprint’ the current security status of the scoped IT systems components;
- b) Analysis – The objectives of this phase are to determine the risk level of identified loophole, and to determine the possible attack scenarios;
- c) Exploitation – Upon discovery of any loophole that could further be penetrated, exploitation will be carried out to determine the penetration depth of the loophole;
- d) Remediation and Auditing – Upon completion of the security risk assessment and analysis, we will provide a complete report listing.

2. External and Internal Penetration Tests

Our network security assessment is conducted through Internet targeting towards the customer's Internet facing external network (e.g. public domain or sub-domains) and from internal network to all internal servers. The focus of this test is to simulate an attack from a skillful black-hat attacker, in order to dig out the vulnerabilities.

3. Risk-based cyber security protection safeguard and implementation

Our risk-based cyber security approach will evaluate best practices and technology solutions or services to address the top priority security risks of the client through:

- a) Gathering and verifying requirement;
- b) Design system Architecture;
- c) Procure the best-fit technology solutions or services;
- d) Implement, configure and strengthen the technology solutions or services;
- e) To assist our client to reengineer IT and business processes based on best practices.

4. 24x7 Managed IT and Security Services Outsourcing

We aim to assist our clients to maintain a healthy IT environment by monitoring, managing, operating IT assets such as:

- a) General IT assets: desktops, servers, network devices;
- b) IT security assets: firewall, IPS, malware protection;
- c) Provide a dedicated client single point of contact (SPOC) for IT and cyber security related services, problem and incidents enquiries;
- d) Incident and problem response and management.

Professional services recorded a revenue of approximately HK\$0.11 million for the three months ended 30 June 2021 (three months ended 30 June 2020: approximately HK\$0.07 million), representing an increase of approximately 57.1% as compared to corresponding period in 2020.

OTT Services

OTT services is providing multi-media related services and content in the Hong Kong via different platforms. In view of the growing penetration and expansion of multi-media segment, the Group is optimistic to such business segment. In addition, consumers are moving beyond traditional media, the multi-media platform is an option used by many companies to brand and market their products. As such, the multi-media platform is playing an increasingly vital role in business marketing strategy. Having considered that our OTT services is equipped with experience in the industry with diversified clientele and being specialized in the provision of OTT services of video-on-demand in Hong Kong and Taiwan via its own digital video rental platform. The revenue in OTT services recorded approximately HK\$8.8 million for the three months ended 30 June 2021 (three months ended 30 June 2020: approximately HK\$7.7million), represents an increase of approximately 14.3% as compared with the corresponding period in 2020.

FUTURE PROSPECTS

The Group will continue to look for opportunities to create Shareholders' value through making investments into and/or acquiring interests in companies or projects that have promising outlooks and prospects. It goes without saying that the Company will also continue to focus on existing businesses to bring further value to Shareholders.

FINANCIAL PERFORMANCE

During the three months ended 30 June 2021, the Group recorded a revenue of approximately HK\$8.9 million (three months ended 30 June 2020: approximately HK\$7.8 million) representing an increase of approximately 14.8% as compared to that of the corresponding period in 2020. The increase in revenue was due to increase of the number of subscribers. Other income increased to approximately HK\$0.2 million as compared to approximately HK\$0.07 million of corresponding period in 2020 due to waiving salary. Operating and administrating expenses increased to approximately HK\$3.5 million as compared to approximately HK\$2.2 million of corresponding period in 2020. Such increase was due to increase of staff cost and the advertising expenses. Finance cost decreased to approximately HK\$0.9 million as compared to approximately HK\$2.0 million of the corresponding period in 2020, representing a decrease of approximately 55% as compared to that of the corresponding period in 2020. The decrease in finance cost was due to settlement of loan by Right issue on September 2020. Loss attributable to the owners of the Company was approximately HK\$2.7 million for the three months ended 30 June 2021 (three months ended 30 June 2020: loss of approximately HK\$3.7 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the three months ended 30 June 2021, the Company has not made any issue for cash of equity securities.

The Board continues to look for opportunities to attract more investors, extend the Shareholders base, reduce the accumulated loss and improve the flexibility of fund raising.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not make any material investment, acquisition and/or disposal during the three months ended 30 June 2021.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 12 November 2014, the Company approved and adopted a share option scheme. There were no movement in the share options during the three months ended 30 June 2021 and there were no outstanding share options as at 30 June 2021 and 30 June 2020 respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2021, none of the Directors and chief executive of the Company were interested in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the required standard of dealing by the Directors under Rules 5.46 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SECURITIES

So far as is known to the Directors, as at 30 June 2021, the persons (other than a director or chief executive of the Company) who have interests or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who are, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, were as follows:

Long positions in the Shares:

Name of Substantial Shareholders	Capacity	Number of Shares/underlying Shares held	Approximate percentage of total number of issued Shares of the Company (note 3)
Kingston Securities Limited (note 1)	Beneficial owner	8,004,050	8.81%
Leung Lisa (note 2)	Beneficial owner	25,546,000	28.11%

Notes:

1. Based on the notices of disclosure of interest filed by Chu Yuet Wah (“**Chu**”), Chu has a controlling interest in Kingston Securities Limited and is deemed to be interested in these shares held by Kingston Securities Limited.
2. Based on the notices of disclosure of interest filed by Leung Lisa (“**Lisa**”), Lisa has a controlling interest in Prosper Rich Investments Limited and is deemed to be interested in these shares held by Prosper Rich Investments Limited.
3. As at 30 June 2021, the total issued share capital of the Company is 90,875,248 shares.

Save as disclosed above, as at 30 June 2021, so far as was known to the Directors and chief executive of the Company, no person (other than a Director or chief executive of the Company), had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered into the register maintained by the Company pursuant to Section 336 of the SFO.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company.

Having made specific enquiry, all Directors have confirmed that they have complied with the required standard of dealings and there is no event of non-compliance throughout the three months ended 30 June 2021.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the three months ended 30 June 2021 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As at 30 June 2021, none of the Directors or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules and the Corporate Governance Code (the "Code").

The primary duties of the audit committee includes reviewing the internal accounting procedures, considers and reports to the Board with respect to other auditing and accounting matters, including selection of independent auditors, fees to be paid to the independent auditors and the performance of the independent auditors.

As at 30 June 2021 and up to the date of this report, the audit committee consists of four independent non-executive Directors namely, Mr. Ho Chun Hang, Mr. Hau Chi Kit, Mr. Ma Stephen Tsz On and Mr. Tang Chun Hei.

The unaudited condensed consolidated financial information of the Group for the three month ended 30 June 2021 have been reviewed by the audit committee of the Company and is of the opinion that the preparation of such statements comply with the applicable accounting standards and the GEM Listing Rules and that adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES (THE "CODE")

The Company has adopted the code provisions of the Code contained in Appendix 15 of the GEM Listing Rules as its own code on corporate governance practices. In the opinion of the Directors, the Company has complied with the code provisions as set out in the Code and there have been no material deviations from the Code during the reporting period.

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

During the three months period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board of
hmvod Limited
Ho Chi Na
Executive Director

Hong Kong, 13 August 2021

As at the date of this report, the Board comprises the following Directors:

Executive Director:

Ms. Ho Chi Na

Non-executive Director:

Mr. Lau Chung Yin

Independent non-executive Directors:

Mr. Hau Chi Kit

Mr. Tang Chun Hei

Mr. Ho Chun Hang

This report will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at <http://www.hmvod.com.hk>.