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i-CONTROL HOLDINGS LIMITED
超智能控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8355)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2016

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

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

ANNUAL RESULTS

The board of Directors (the “**Board**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2016, together with the comparative figures for the year ended 31 March 2015:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	4	141,922	111,482
Cost of inventories sold		(79,713)	(64,398)
Staff cost		(29,660)	(16,844)
Depreciation		(2,789)	(1,738)
Other income and gain	4	778	21
Other operating expenses		(13,997)	(18,229)
Finance costs	6	(1,297)	(702)
Profit before taxation		15,244	9,592
Income tax expense	7	(3,254)	(4,027)
Profit for the year	8	11,990	5,565
Attributable to:			
Owners of the Company		11,786	4,841
Non-controlling interests		204	724
		11,990	5,565
Profit for the year		11,990	5,565
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating a foreign operation		85	(149)
Total comprehensive income for the year		12,075	5,416
Total comprehensive income attributable to:			
Owners of the Company		11,871	4,692
Non-controlling interests		204	724
		12,075	5,416
Earnings per share			
Basic and diluted	9	HK1.22 cents	HK0.68 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property and equipment		88,313	51,989
Investment property		9,638	–
Deferred tax assets		184	281
		<u>98,135</u>	<u>52,270</u>
Current assets			
Inventories		6,227	5,567
Trade receivables	11	30,919	20,844
Prepayments, deposits and other receivables		1,212	5,367
Bank balances and cash		57,036	14,831
		<u>95,394</u>	<u>46,609</u>
Current liabilities			
Trade payables	12	8,207	6,360
Other payables and accruals		15,410	12,083
Bank borrowings	13	53,522	54,868
Tax payables		907	1,370
		<u>78,046</u>	<u>74,681</u>
Net current asset (liabilities)		<u>17,348</u>	<u>(28,072)</u>
Total assets less current liabilities		<u>115,483</u>	<u>24,198</u>
Non-current liability			
Deferred tax liabilities		438	335
Net assets		<u>115,045</u>	<u>23,863</u>
Capital and reserves			
Share capital	14	10,000	8
Reserves		105,045	21,830
Equity attributable to owners of the Company		<u>115,045</u>	<u>21,838</u>
Non-controlling interests		–	2,025
Total equity		<u>115,045</u>	<u>23,863</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March 2016

	Attributable to the owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Merger reserve	Translation reserve	Retained profits	Subtotal		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 31 March 2014 and 1 April 2014	8,513	–	–	42	15,059	23,614	2,474	26,088
Profit and other comprehensive income for the year	–	–	–	(149)	4,841	4,692	724	5,416
Dividend (note 10)	–	–	–	–	(8,780)	(8,780)	(239)	(9,019)
Issuance of share (note 14)	8	–	–	–	–	8	–	8
Reorganisation (note 14)	(8,513)	–	10,817	–	–	2,304	(934)	1,370
At 31 March 2015 and 1 April 2015	8	–	10,817	(107)	11,120	21,838	2,025	23,863
Profit and other comprehensive income for the year	–	–	–	85	11,786	11,871	204	12,075
Issuance of share (note 14)	7	–	–	–	–	7	–	7
Issuance of ordinary shares in connection with the listing	2,500	87,500	–	–	–	90,000	–	90,000
Capitalisation issue	7,485	(7,485)	–	–	–	–	–	–
Share issue expenses	–	(8,671)	–	–	–	(8,671)	–	(8,671)
Acquisitions of additional interests in subsidiaries	–	–	–	–	–	–	(2,229)	(2,229)
At 31 March 2016	10,000	71,344	10,817	(22)	22,906	115,045	–	115,045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 21 August 2014 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The registered office of the Company is Estera Trust (Cayman) Limited (formally known as "Appleby Trust (Cayman) Ltd."), Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and the principal place of business is Units A&B, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. The Company is engaged in investment holding while the principal subsidiaries are principally engaged in multimedia audio-visual solutions and related system integration services. The Company's shares have been listed on the GEM with effect from 27 May 2015 (the "**Listing**").

The Directors consider the immediate and ultimate holding company is Newmark Group Limited ("**Newmark Group**"), which is incorporated in the British Virgin Islands (the "**BVI**"). Pursuant to a group reorganisation (the "**Reorganisation**") of the Company and its subsidiaries to rationalise the structure of the Group in preparation for the Listing, the consultancy and administrative services to related companies of Newmark Company Limited have been transferred to the Group on 29 June 2014, the Company acquired the equity interests of entities under common control and became the holding company of the subsidiaries now comprising the Group on 11 May 2015. Details of the Reorganisation were set out in the prospectus of the Company dated 14 May 2015 (the "**Prospectus**").

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The financial statements are presented in Hong Kong dollars ("**HK\$**"), which is the Company's functional and presentation currency. Other than the subsidiaries established in the PRC and Singapore whose functional currency is Renminbi and Singapore dollar respectively, the functional currency of the Company and other subsidiaries is HK\$.

The Group comprising the Company and its subsidiaries controlled by Dr. Wong King Keung, Mr. Chan Wing Yiu, Mr. Tong Sai Wong, Mr. Chan Wing Lun (the "**Controlling Shareholder**") and Mr. Lin Wing Ching, resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the financial statements have been prepared on a combined basis as if the Company had always been the holding company of the Group by applying the principles of merger accounting with reference to Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as if the current group structure had been in existence at the beginning of the year ended 31 March 2015.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows including the results and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the years ended 31 March 2015 and 2016 or since their respective dates of incorporation, whichever is the shorter period. The consolidated statements of financial position of the Group as at 31 March 2015 have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence as at that date.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
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 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKFRS 15	Clarification to HKFRS 15 ²

1 Effective for annual periods beginning on or after 1 January 2016.

2 Effective for annual periods beginning on or after 1 January 2018.

3 Effective date not yet determined.

4 Effective for annual periods beginning on or after 1 January 2019.

The directors of the Company anticipate that, except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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 GEM Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements has been prepared on the historical cost basis. 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 GAIN

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

	2016	2015
	HK\$'000	HK\$'000
Revenue		
Service income		
Solution for audiovisual, conferencing, presentation and multimedia control systems including installation services (<i>note</i>)	129,566	101,906
Audiovisual system maintenance services	12,356	9,576
	141,922	111,482
Other income and gain		
Bank interest income	67	3
Exchange gain	82	–
Written off of other payable	475	–
Sundry income	154	18
	778	21

Note: Included in this service income, revenue of approximately HK\$15,074,000 (2015: HK\$9,242,000) represented service income from procuring and delivering certain video conferencing and multimedia audiovisual equipment solely involving the Group's consultation services (i.e. without any design or installation services from the Group).

5. SEGMENT INFORMATION

The directors of the Company consider that there is only one operating and reportable business segment for the Group, the service provider of video conferencing and multimedia audiovisual solution. Operating segments are reported in a manner consistent with the information reported to the board of directors, being the chief operating decision maker, for the purpose of resources allocation and performance assessment.

Geographical information

The Group's operations are located in Hong Kong (country of domicile), the People's Republic of China (the "PRC") and Singapore. The Group's customers are mainly located in Hong Kong, the PRC and Singapore.

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

	Revenue from external customers	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong (country of domicile)	131,906	96,717
The PRC	4,229	2,325
Singapore	121	9,373
Macau	5,666	3,067
	<u>141,922</u>	<u>111,482</u>

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

	Non-current assets	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong	97,843	51,971
The PRC	108	18
	<u>97,951</u>	<u>51,989</u>

Non-current assets excluded deferred tax assets.

Information about major customers

There was no customer account for 10% or more of aggregate revenue of the Group for both years.

6. FINANCE COSTS

	2016	2015
	HK\$'000	HK\$'000
Interest expenses on bank borrowings	<u>1,297</u>	<u>702</u>

7. INCOME TAX EXPENSE

	2016 HK\$'000	2015 HK\$'000
Current income tax:		
– Hong Kong Profits Tax	3,383	3,222
– Singapore Corporate Tax	–	663
(Over) under provision in prior year	<u>(329)</u>	<u>55</u>
	3,054	3,940
Deferred taxation	<u>200</u>	<u>87</u>
Total income tax expense for the year	<u><u>3,254</u></u>	<u><u>4,027</u></u>

- i) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 March 2016 (2015: 16.5%).
- ii) Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25% for the year ended 31 March 2016 (2015: 25%). No provision for PRC Tax has been made in the consolidated financial statement as the Group did not have assessable profits subject to PRC Tax for the years ended 31 March 2016 and 2015.
- iii) Singapore Corporate Tax is calculated at the rate of 17% on the estimated assessable profit for the year ended 31 March 2016 (2015: 17%).
- iv) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

8. PROFIT FOR THE YEAR

	2016 HK\$'000	2015 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	8,559	–
Salaries and allowances (excluding directors' emoluments)	20,192	15,996
Retirement benefit scheme contributions (excluding directors emoluments)	<u>909</u>	<u>848</u>
Total staff costs	<u>29,660</u>	<u>16,844</u>
Cost of inventories sold	79,713	64,398
Reversal of provision on inventories included in cost of inventories sold	(51)	(31)
Depreciation	2,789	1,738
Operating lease rentals in respect of rented premises	778	857
Loss on disposal of property and equipment	3	6
Listing expenses	5,533	12,059
Auditor's remuneration	<u>675</u>	<u>505</u>

9. EARNINGS PER SHARE

	2016 HK\$'000	2015 HK\$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>11,786</u>	<u>4,841</u>
	2016 '000	2015 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>962,432</u>	<u>710,861</u>

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2016 and 2015.

The weighted average number of ordinary shares in issue during the years ended 31 March 2016 and 2015 have been retrospectively adjusted for the effect of the capitalisation issue as stated in note 14 pursuant to the Reorganisation as stated in the Prospectus as if such capitalisation issued shares were issued during the two years ended 31 March 2016.

10. DIVIDEND

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2016 of HK0.6 cents (2015: nil) per share amounting to HK\$6,000,000 (2015: nil) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

Pursuant to the resolution of i-Control (ITAV) Limited (“**i-Control ITAV**”) passed on 5 February 2015, an interim dividend amount of HK\$8,780,000 was declared and paid by i-Control ITAV to its then shareholders.

11. TRADE RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables	<u>30,919</u>	<u>20,844</u>

The Group generally allows an average credit period of 30 days to the customers.

The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables, presented based on invoice dates at the end of each reporting period, which approximated the respective revenue recognition dates.

	2016	2015
	HK\$'000	HK\$'000
0-30 days	13,211	10,768
31-60 days	7,536	2,574
61-120 days	5,767	3,026
121-365 days	3,215	4,149
Over 365 days	1,190	327
	<u>30,919</u>	<u>20,844</u>

12. TRADE PAYABLES

	2016	2015
	HK\$'000	HK\$'000
Trade payables	<u>8,207</u>	<u>6,360</u>

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

	2016	2015
	HK\$'000	HK\$'000
0 to 60 days	4,111	3,937
61 to 90 days	1,316	269
Over 90 days	<u>2,780</u>	<u>2,154</u>
	<u>8,207</u>	<u>6,360</u>

The average credit period on purchase of goods is 30 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

13. BANK BORROWINGS

	2016 HK\$'000	2015 HK\$'000
Secured:		
Mortgage loans	53,522	42,649
Unsecured:		
Tax loan	–	219
Revolving loan	–	12,000
	<u>53,522</u>	<u>54,868</u>
Bank borrowings repayable:		
On demand or within one year	4,421	15,160
More than one year but not exceeding two years	4,421	2,941
More than two years but not exceeding five years	13,263	8,823
After five years	31,417	27,944
	<u>53,522</u>	<u>54,868</u>
Less:		
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)	49,101	39,708
Carrying amount repayable within one year	4,421	15,160
Amount shown under non-current liabilities	<u>–</u>	<u>–</u>

14. SHARE CAPITAL

	Number of share 2016	Share capital 2016 HK\$	Number of share 2015	Share capital 2015 HK\$
Authorised				
As at 1 April	38,000,000	380,000	–	–
Ordinary share of HK\$0.1 each at the date of incorporation	–	–	3,800,000	380,000
Subdivision of HK\$0.1 each share into 10 shares of HK\$0.01 each	–	–	34,200,000	–
Increase in authorised share capital (Note a)	<u>1,962,000,000</u>	<u>19,620,000</u>	–	–
As at 31 March	<u>2,000,000,000</u>	<u>20,000,000</u>	<u>38,000,000</u>	<u>380,000</u>
Issued and fully paid				
As at 1 April	750,000	7,500	–	–
Ordinary share of HK\$0.1 each at the date of incorporation	–	–	1	–
Issued and allotted on 11 May 2015 (Note b)	750,000	7,500	–	–
Issued by capitalisation of share premium account on 11 May 2015 (Note c)	748,500,000	7,485,000	–	–
Issued and allotted during the period	250,000,000	2,500,000	74,999	7,500
Subdivision of HK\$0.1 each share into 10 shares of HK\$0.01 each	–	–	675,000	–
As at 31 March	<u>1,000,000,000</u>	<u>10,000,000</u>	<u>750,000</u>	<u>7,500</u>
		HK\$'000		HK\$'000
Shown in consolidated financial statements		<u>10,000</u>		<u>8</u>

Notes:

- (a) On 11 May 2015, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares to HK\$20,000,000 into 2,000,000,000 ordinary shares.
- (b) On 11 May 2015, the Company acquired the entire interests in i-Control (ITAV) Limited, a wholly-owned subsidiary incorporated in the British Virgin Islands, in consideration of and in exchange for which the Company allotted and issued 750,000 ordinary shares in aggregate, credited as fully paid, to the then shareholders of i-Control (ITAV) Limited.
- (c) On 11 May 2015, pursuant to the resolution of the then shareholders of the Company, it was approved to issue 748,500,000 ordinary shares of HK\$0.01 each to the then shareholders of the Company by way of capitalisation of HK\$7,485,000 from the share premium account arising from the placing of 250,000,000 ordinary shares. Such shares were issued on 26 May 2015, being the date of completion of placing.
- (d) On 26 May 2015, the Company issued a total of 250,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.36 per share as a result of the completion of the placing. Of the gross total proceeds from placing of HK\$90,000,000, HK\$2,500,000, representing the par value credited to the Company's share capital, and HK\$87,500,000, before the share issue expenses, was credited to the share premium account. The Company's total number of issued ordinary shares was increased to 1,000,000,000 shares upon completion of placing.

15. OPERATING LEASE COMMITMENT

The Group as lessor

The property is expected to generate rental yields of 4.8% on an ongoing basis and have committed tenants for the next 2.75 years.

At the end of each reporting period, the Company contracted with tenant for the following future minimum lease receivables under non-cancellable operating leases:

	2016 HK\$'000	2015 HK\$'000
Within one year	510	–
After one year but within five years	879	–
	1,389	–

The Group as lessee

The Group leases certain of its warehouses and offices under operating lease arrangements. Lease for properties are negotiated for terms ranging from one to three years and rentals are fixed.

At the end of each reporting period, the Group had future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	425	323
In the second to fifth year inclusive	335	–
	760	323

16. PLEDGE OF ASSETS

At 31 March 2016, investment property and land and building of approximately HK\$9,638,000 and HK\$86,305,000 (2015: nil and HK\$51,309,000) of the Group were pledged to secure banking facilities granted to the Group, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group maintained its market position as one of the leading service providers of video conferencing and multimedia audiovisual solution, mainly in Hong Kong, and other geographical locations such as Shanghai, Macau, and Singapore. The Group's service can mainly be divided into two lines, namely the provision of (i) solution for audiovisual, conferencing, presentation and multimedia control systems, including installation services; and (ii) audiovisual system maintenance services.

The revenue of the Group increased by approximately 27.3% from approximately HK\$111,482,000 for the year ended 31 March 2015 to approximately HK\$141,922,000 for the year ended 31 March 2016.

After the successful listing of the Company on GEM on 27 May 2015 (the "Listing"), the Group purchased a warehouse and a car park space for service excellence and operation effectiveness. The Group also set up a new office in Shanghai to explore new business opportunities. Moving forward, the Group will continue to maintain and strength its position as one of the leading video conferencing and multimedia audiovisual solution providers in Hong Kong and to expand our market share in the video conferencing and multimedia audiovisual solution industry in the PRC. The Directors believe that the Group will have significant growth in the coming years.

FINANCIAL REVIEW

Segment analysis

	Year ended 31 March 2016		Year ended 31 March 2015	
	HK\$'000	%	HK\$'000	%
Solution of audiovisual, conferencing, presentation and multimedia control systems including installation services	129,566	91.3	101,906	91.4
Audiovisual system maintenance services	12,356	8.7	9,576	8.6
Total	<u>141,922</u>	<u>100.0</u>	<u>111,482</u>	<u>100.0</u>

Revenue

The Group's revenue increased by 27.3% from approximately HK\$111,482,000 for the year ended 31 March 2015 to approximately HK\$141,922,000 for the year ended 31 March 2016.

Revenue generated from solution of audiovisual, conferencing, presentation and multimedia control systems, including installation services, increased by approximately 27.1% from approximately HK\$101,906,000 for the year ended 31 March 2015 to approximately HK\$129,566,000 for the year ended 31 March 2016, which was primarily attributable to the revenue contribution from several new customers during the year ended 31 March 2016.

Revenue generated from audiovisual system maintenance services increased by approximately 29.0% from approximately HK\$9,576,000 for the year ended 31 March 2015 to approximately HK\$12,356,000 for the year ended 31 March 2016, which was primarily attributable to the increase in total maintenance projects after the completion of projects of solution of audiovisual, conferencing, presentation and multimedia control systems, including installation services.

Gross operating margin and gross operating margin ratio

Gross operating margin is calculated based on our revenue for the year minus cost of inventories sold for the year. Gross operating margin ratio is calculated based on the gross operating margin for the year divided by revenue for the year multiplied by 100%.

Gross operating margin increased by 32.1% from approximately HK\$47,084,000 for the year ended 31 March 2015 to approximately HK\$62,209,000 for the year ended 31 March 2016, which was primarily attributable to revenue contribution from several new customers during the year ended 31 March 2016.

The Group's operating margin ratio increased from approximately 42.2% for the year ended 31 March 2015 to 43.8% for the year ended 31 March 2016, primarily because certain projects with a higher gross operating margin were secured due to a higher complexity in respect of the design and installation works involved in these projects.

Staff cost

Staff cost increased from approximately HK\$16,844,000 for the year ended 31 March 2015 to approximately HK\$29,660,000 for the year ended 31 March 2016 mainly due to (i) the increase of sales commission and bonus paid to staff which was in line with the increase in revenue; and (ii) the increase in directors' remuneration after the Listing in May 2015, in which part of the discretionary bonus to Directors were based on certain percentage on increment of profit for the year compared to previous year.

Depreciation

Depreciation expenses increased from approximately HK\$1,738,000 for the year ended 31 March 2015 to approximately HK\$2,789,000 for the year ended 31 March 2016 which was primarily due to the additional depreciation of the new properties acquired by the Group as warehouse and service centre in September 2015.

Other operating expenses

Other operating expenses decreased from approximately HK\$18,229,000 for the year ended 31 March 2015 to approximately HK\$13,997,000 for the year ended 31 March 2016. The decrease was mainly attributable to the decrease in listing expenses from approximately HK\$12,059,000 for the year ended 31 March 2015 to approximately HK\$5,533,000 for the year ended 31 March 2016 which was offset by the increase in marketing, promotion and various compliance and professional fees incurred after the Listing.

Income tax expense

Income tax expense decreased from approximately HK\$4,027,000 for the year ended 31 March 2015 to approximately HK\$3,254,000 for the year ended 31 March 2016, which was mainly due to the decrease in profit before taxation after excluding non-deductible listing expenses of approximately HK\$12,059,000 and HK\$5,533,000 for the year ended 31 March 2015 and 31 March 2016 respectively.

Profit and total comprehensive income for the year

Profit and total comprehensive income for the year increased from approximately HK\$5,565,000 for the year ended 31 March 2015 to approximately HK\$11,990,000 for the year ended 31 March 2016, which was mainly due to (i) the increase in revenue and gross operating margin; (ii) the decrease in other operating expenses such as listing expenses, as mentioned above; which were partially offset by (iii) an increase in staff cost.

DIVIDEND

The Board has proposed a payment of final cash dividend of HK0.6 cents per share for the year ended 31 March 2016 amounted to approximately HK\$6,000,000 out of the share premium account (2015: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's operation and investments were financed principally by cash generated from its own business operations, bank borrowings and proceeds from issue of shares. As at 31 March 2016, the Group had net current assets of approximately HK\$17,348,000 (2015: net current liabilities of approximately HK\$28,072,000) and had cash and cash equivalents of approximately HK\$57,036,000 as at 31 March 2016 (2015: HK\$14,831,000). Current assets/liabilities of the Group included carrying amount of approximately HK\$49,101,000 (2015: HK\$39,708,000) in bank borrowings that were not repayable within one year from the end of reporting period but which contain a repayment on demand clause.

GEARING RATIO

As at 31 March 2016, the gearing ratio (calculated on the basis of total debt divided by total assets) of the Group was approximately 27.7% (2015: 55.5%).

FOREIGN CURRENCY RISK

The majority of the Group's business is in Hong Kong and is denominated in Hong Kong dollars. The Group currently does not have a foreign currency hedging policy. However, the Directors of the Group will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CAPITAL COMMITMENT

As at 31 March 2016, the Group did not have material capital commitments (2015: Nil).

CAPITAL STRUCTURE

The Company's shares were successfully listed on the GEM on 27 May 2015. There has been no change in the Company's capital structure since that date.

The capital structure of the Group consists of bank borrowings and equity attributable to the owners of the Company, comprising issued share capital and reserves. The Directors review the Group's capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debts or the convertible securities or through the redemption of borrowings.

CHARGE ON THE GROUP'S ASSETS

As at 31 March 2016, land and buildings and an investment property of approximately HK\$86,305,000 (2015: HK\$51,309,000) and HK\$9,638,000 (2015: nil) respectively were pledged to secure bank borrowings facilities granted to the Group. As at 31 March 2015, all bank borrowings were guaranteed by certain Directors and have been released upon listing of the Company's ordinary shares on the GEM.

CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 31 March 2016 and 31 March 2015.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 March 2016, the Group purchased a warehouse and a car park space for own use with an aggregate consideration of approximately HK\$42,380,000.

Save as aforesaid, during the year ended 31 March 2016, the Group had no material acquisitions and disposals.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, the Group employed 70 (2015: 67) full time employees. The remuneration policy of the Group to reward its employees and executives is based on their performance, qualifications, and competence displayed with reference to selected market comparable remuneration data.

USE OF PROCEEDS

The net proceeds from the Company's issue of 250,000,000 new shares at the placing price of HK\$0.36 per share at the time of the Listing, after deducting the underwriting fees and other expenses, amounted to approximately HK\$66.3 million. The Group intends to apply and actually used such net proceeds for the period from the Listing to 31 March 2016 (the "Period") as follows:

	Planned use of proceeds as stated in the Prospectus during the Period HK\$' million	Actual use of proceeds during the Period HK\$' million
To recruit approximately five senior and experienced sales staff to expand the video conferencing and multimedia audiovisual solution business in Hong Kong	11.5	0.9
To acquire a new warehouse in Hong Kong	32.7	32.7
To set up new regional offices with showrooms and recruit approximately 15 new staff in Beijing, Shanghai and Singapore	13.7	0.6
To carry out marketing and promotion activities on both traditional and new media platforms to improve public awareness of the Group and further strengthen its position in Hong Kong, the PRC and Singapore	2.4	1.2
For working capital and other general corporate purposes	<u>6.0</u>	<u>6.0</u>

The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The uses of net proceeds have been applied in accordance with the actual development of the market.

As at 31 March 2016, approximately HK\$41.4 million out of the net proceeds from the listing of the Company's shares had been used. The unused net proceeds amounting to approximately HK\$24.9 million were deposited in licensed banks in Hong Kong.

The Company intends to apply the net proceeds in the manner as stated in the Prospectus. However, the Directors will constantly evaluate the Group's business objectives and may change or modify the Group's plans against the changing market condition to attain sustainable business growth of the Group. In the event that the Director consider if necessary to change the use of net proceeds from that stated in the Prospectus, the Company will make an appropriate announcement in accordance with the relevant provisions of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of 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 of the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner.

In accordance with the requirements of the GEM Listing Rules, the Company has established an audit committee, a nomination committee and a remuneration committee with specific written terms of reference.

During the Period, the Company has complied with the CG Code as set out in Appendix 15 to the GEM Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company, having made specific enquiry of all the Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the Period.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 16 August 2016 to 19 August 2016, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 15 August 2016.

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 2016 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 2016. 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 Hong Kong Institute of Certified Public Accountants 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 effective internal control and risk management system exists within the entity. 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 internal control and risk management system and ethical standards for the Group's management to the Audit Committee.

The Audit Committee currently comprises three independent non-executive Directors, namely Dr. Chan Man Hung, Dr. Lai Wing Chueng and Mr. Lum Pak Sum. Mr. Lum Pak Sum is the chairman of the Audit Committee. The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 March 2016.

By Order of the Board
i-Control Holdings Limited
Tong Sai Wong
Chairman

Hong Kong, 24 June 2016

As at the date of this announcement, the executive Directors are Mr. Tong Sai Wong, Mr. Chan Wing Yiu and Mr. Chan Wing Lun; the non-executive Directors are Dr. Wong King Keung and Mr. Lin Wing Ching; and the independent non-executive Directors are Dr. Chan Man Hung, Dr. Lai Wing Chueng and Mr. Lum Pak Sum.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and the Company's website at www.i-controlholdings.com.