



**INTERIM
REPORT
2016**

i-CONTROL

**i-Control Holdings Limited
超智能控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8355

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.

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*This report, 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 the 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 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.*



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The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 September 2016 (the “**Period**”), together with the comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	Notes	Three months ended 30 September		Six months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	34,449	47,682	58,448	75,473
Cost of inventories sold		(19,638)	(28,182)	(33,793)	(42,193)
Staff cost		(6,494)	(7,736)	(13,043)	(12,204)
Depreciation		(766)	(584)	(1,552)	(1,016)
Other income	3	452	173	629	204
Other operating expenses		(1,522)	(2,378)	(3,107)	(9,272)
Finance costs		(281)	(366)	(562)	(687)
Profit before taxation		6,200	8,609	7,020	10,305
Income tax expense	5	(1,024)	(1,654)	(1,304)	(2,814)
Profit for the period		5,176	6,955	5,716	7,491
Attributable to:					
Owners of the Company		5,176	6,626	5,716	7,287
Non-controlling interests		-	329	-	204
		5,176	6,955	5,716	7,491
Profit for the period		5,176	6,955	5,716	7,491
Other comprehensive income (expenses)					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translating a foreign operation		3	-	(61)	-
Total comprehensive income for the period		5,179	6,955	5,655	7,491
Total comprehensive income attributable to:					
Owners of the Company		5,179	6,626	5,655	7,287
Non-controlling interests		-	329	-	204
		5,179	6,955	5,655	7,491
Earnings per share					
Basic and diluted	7	HK0.52 cents	HK0.66 cents	HK0.57 cents	HK0.79 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	<i>Notes</i>	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Non-current assets			
Property and equipment	8	87,386	88,313
Investment properties	8	11,228	9,638
Deferred tax assets		184	184
		98,798	98,135
Current assets			
Inventories		9,507	6,227
Trade receivables	9	33,797	30,919
Prepayments, deposits and other receivables		4,950	1,212
Bank balances and cash		47,114	57,036
		95,368	95,394
Current liabilities			
Trade payables	10	11,168	8,207
Other payables and accruals		15,170	15,410
Bank borrowings	11	51,311	53,522
Tax payables		1,334	907
		78,983	78,046
Net current assets		16,385	17,348
Total assets less current liabilities		115,183	115,483
Non-current liability			
Deferred tax liability		483	438
Net assets		114,700	115,045
Capital and reserves			
Share capital	12	10,000	10,000
Reserves		104,700	105,045
Total equity		114,700	115,045

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Attributable to the owners of the Company						Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000 (note a)	Translation reserve HK\$'000	Retained profits HK\$'000	Subtotal HK\$'000		
At 1 April 2015 (audited)	8	-	10,817	(107)	11,120	21,838	2,025	23,863
Profit and total comprehensive income for the period	-	-	-	-	7,287	7,287	204	7,491
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	(2,229)	(2,229)
Issuance of shares	7	-	-	-	-	7	-	7
Issuance of ordinary shares in connection with the Listing (note b)	2,500	87,500	-	-	-	90,000	-	90,000
Capitalisation issue (note c)	7,485	(7,485)	-	-	-	-	-	-
Share issue expenses	-	(8,671)	-	-	-	(8,671)	-	(8,671)
At 30 September 2015 (unaudited)	10,000	71,344	10,817	(107)	18,407	110,461	-	110,461
At 1 April 2016 (audited)	10,000	71,344	10,817	(22)	22,906	115,045	-	115,045
Profit and total comprehensive income for the period	-	-	-	(61)	5,716	5,655	-	5,655
2016 final dividend paid	-	(6,000)	-	-	-	(6,000)	-	(6,000)
At 30 September 2016 (unaudited)	10,000	65,344	10,817	(83)	28,622	114,700	-	114,700

Notes:

- Merger reserve represented the difference between share capital of the new holding company and the aggregate of the share capital of the then holding company of the Group and the companies comprising the Group.
- In connection with the Company's placing and listing (the "**Listing**") of its ordinary shares on GEM, the Company issued 250,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.36 for a total consideration (before expenses) of HK\$90,000,000. Dealing of the Company's ordinary shares on the GEM commenced on 27 May 2015.
- Pursuant to the written resolution passed by the shareholders of the Company on 11 May 2015, the Directors were authorised to capitalise a sum of HK\$7,485,000 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 748,500,000 shares for allotment and issue to the then shareholders of the Company as at 11 May 2015 in proportion to their then respective shareholdings in the Company.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	2016	2015
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	1,033	(5,130)
INVESTING ACTIVITIES		
Acquisition of investment property	(1,682)	–
Acquisition of properties and equipments	(533)	(47,857)
Interest received	33	32
NET CASH USED IN INVESTING ACTIVITIES	(2,182)	(47,825)
FINANCING ACTIVITIES		
Dividend paid	(6,000)	–
Repayment of bank borrowings	(2,211)	(1,936)
Interest paid	(562)	(687)
Payment for acquisition of additional interests in subsidiaries	–	(2,229)
Net proceed from issuance of ordinary shares in connection with the Listing	–	81,329
Bank borrowings raised	–	14,800
Proceed from issuance of shares	–	7
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(8,773)	91,284
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENT	(9,922)	38,329
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	57,036	14,831
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	47,114	53,160
represented by bank balances and cash		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands on 21 August 2014 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The registered office of the Company is Estera Trust (Cayman) Limited, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and 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 Directors consider the immediate and ultimate holding company is Newmark Group Limited ("**Newmark Group**"), which is incorporated in the British Virgin Islands (the "**BVI**").

The financial statements are presented in Hong Kong dollars ("**HK\$**"), which is the Company's functional and presentation currency. Other than the subsidiary established in the Peoples' Republic of China (the "**PRC**") and Singapore whose functional currency is Renminbi and Singapore dollar respectively, the functional currency of the Company and other subsidiaries is HK\$.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements for the six months ended 30 September 2016 have been prepared in accordance with Hong Kong Accounting Standard 34 ("**Interim Financial Reporting**") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The accounting policies and method of computation used in the preparation of these results are consistent with those used in the annual accounts for the year ended 31 March 2016. The Group has adopted new or revised standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards which are effective for accounting periods commencing on or after 1 April 2016. The adoption of such new or revised standards, amendments to standards and interpretations does not have materials impact on the consolidated accounts and does not result in substantial changes to the Group's accounting policies.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

3. REVENUE AND OTHER INCOME

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 turnover and other income is as follows:

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue				
Service income				
Solution for audiovisual, conferencing, presentation and multimedia control systems including installation services	30,952	44,682	51,571	69,302
Audiovisual system maintenance services	3,497	3,000	6,877	6,171
	34,449	47,682	58,448	75,473
Other income				
Rental income	139	–	270	–
Bank interest income	15	32	33	32
Exchange gain	23	29	45	58
Sundry income	275	112	281	114
	452	173	629	204

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

4. SEGMENT INFORMATION

The Directors 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, 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 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			
	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Hong Kong (country of domicile)	33,475	44,475	55,291	71,642
The PRC (other than Hong Kong and Macau)	685	2,228	1,842	2,586
Macau	231	971	584	1,233
Singapore	58	8	731	12
	34,449	47,682	58,448	75,473

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

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

	Non-current assets	
	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Hong Kong	98,531	97,843
The PRC	83	108
	98,614	97,951

Non-current assets excluded deferred tax assets.

5. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current income tax:				
– Hong Kong Profits Tax	979	1,654	1,259	2,784
Deferred taxation	45	–	45	30
Total income tax expense for the period	1,024	1,654	1,304	2,814

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2016 (for the six months ended 30 September 2015: 16.5%).

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 six months ended 30 September 2016 (for the six months ended 30 September 2015: 25%).

Singapore Corporate Tax is calculated at the rate of 17% on the estimated assessable profit for the six months ended 30 September 2016 (for the six months ended 30 September 2015: 17%).

No provision for the PRC Enterprise Income Tax and Singapore Corporate Tax has been made in the consolidated financial statements as the Group did not have assessable profits subject to PRC Enterprise Income Tax and Singapore Corporate Tax for the six months ended 30 September 2016 and 2015.

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.

6. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2016 (for the six months ended 30 September 2015: nil).

The payment of a final dividend of HK0.6 cents per share amounted to HK\$6,000,000 for the year ended 31 March 2016 has been resolved and declared at the annual general meeting of the Company held on 8 August 2016. The date of payment was on 9 September 2016.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

7. EARNINGS PER SHARE

	Three months ended 30 September		Six months ended 30 September	
	2016	2015	2016	2015
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Earnings				
Earnings for the purpose of basic earnings per share	5,176	6,626	5,716	7,287

	Three months ended 30 September		Six months ended 30 September	
	2016	2015	2016	2015
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,000,000	1,000,000	1,000,000	924,863

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the three months and six months ended 30 September 2016 and 2015.

The weighted average number of ordinary shares in issue during the six months ended 30 September 2015 have been retrospectively adjusted for the effect of the capitalisation issue pursuant to the group reorganisation of the Company and its subsidiaries to rationalize the structure of the Group in preparation for the Listing.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

8. MOVEMENTS IN PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 September 2016, the Group acquired approximately HK\$533,000 (six months ended 30 September 2015: HK\$47,857,000) of property and equipment and approximately HK\$1,682,000 of an investment property (six months ended 30 September 2015: nil).

9. TRADE RECEIVABLES

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:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
0-30 days	21,450	13,211
31-60 days	5,762	7,536
61-120 days	2,224	5,767
121-365 days	4,074	3,215
Over 365 days	287	1,190
	33,797	30,919

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

The Group does not hold any collateral over these balances.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

In determining the recoverability of a trade receivables, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the reporting date. In view of the goods settlement history from those receivables of the Group which are past due but not impaired during the Period, the Directors consider that no allowance is necessary in respect of these balances.

10. TRADE PAYABLES

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

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
0 to 60 days	8,155	4,111
61 to 90 days	907	1,316
Over 90 days	2,106	2,780
	11,168	8,207

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

11. BANK BORROWINGS

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Secured:		
Mortgage loan	51,311	53,522
Bank borrowings repayable:		
On demand or within one year	4,421	4,421
More than one year but not exceeding two years	4,421	4,421
More than two years but not exceeding five years	36,794	13,263
More than five years	5,675	31,417
	51,311	53,522
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)	46,890	49,101
Carrying amount repayable within one year	4,421	4,421
Amount shown under non-current liabilities	–	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

Borrowings comprise:

	Maturity date	Effective interest rate	Carrying amount	
			30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Floating-rate borrowings				
– HKD mortgage loans ^{(1)&(3)}	21/8/2021	2.22%	38,237	39,708
– HKD mortgage loan ^{(2)&(4)}	12/7/2025	1.94%	13,074	13,814
			51,311	53,522

⁽¹⁾ The floating rate is lower of HIBOR plus 2% or 2.25% below best lending rate.

⁽²⁾ The floating rate is 1-month HIBOR plus 1.7%

⁽³⁾ Repayable in 84 monthly installments commencing from the drawdown of the borrowings.

⁽⁴⁾ Repayable in 120 monthly installments commencing from the drawdown of the borrowings.

Notes:

(a) The bank borrowings are all denominated in HK\$.

(b) As at 30 September 2016, bank borrowings of approximately HK\$51,311,000 (31 March 2016: HK\$53,522,000) was secured by land and buildings and investment properties of the Group with carrying amounts of approximately HK\$85,100,000 and HK\$9,563,000 respectively (31 March 2016: HK\$86,305,000 and HK\$9,638,000 respectively).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

12. SHARE CAPITAL

	Number of shares	Share capital HK\$
Authorised		
As at 31 March 2016 and 30 September 2016	2,000,000,000	20,000,000
Issued and fully paid		
As at 31 March 2016 and 30 September 2016	1,000,000,000	10,000,000

13. OPERATING LEASE COMMITMENT**The Group as lessor**

The properties are expected to generate rental yields of 2.8-4.8% (as at 31 March 2016: 4.8%) on an ongoing basis and have committed tenants for the next 1 to 3 years (as at 31 March 2016: 3 years).

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

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Within one year	544	510
In the second to fifth year inclusive	581	879
	1,125	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 from one to three years and rentals are fixed.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

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

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Within one year	386	425
In the second to fifth year inclusive	148	335
	534	760

14. PLEDGE OF ASSETS

As at 30 September 2016, an investment property and land and buildings of approximately HK\$9,563,000 and HK\$85,100,000 respectively (31 March 2016: HK\$9,638,000 and HK\$86,305,000 respectively) of the Group were pledged to secure bank borrowings facilities granted to the Group.

15. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

The remuneration of key management personnel during the periods was as follows:

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Short-term benefits	2,894	2,411	4,767	3,412
Post-employment benefits	39	48	79	82
	2,933	2,459	4,846	3,494

The remuneration of the key management personnel is determined by the Board having regards to the performance of individuals and market trends.

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 services 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 decreased by 22.6% from approximately HK\$75,473,000 for the six months ended 30 September 2015 to approximately HK\$58,448,000 for the six months ended 30 September 2016.

After 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 strengthen 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.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 22.6% from approximately HK\$75,473,000 for the six months ended 30 September 2015 to approximately HK\$58,448,000 for the six months ended 30 September 2016.

Revenue generated from solution of audiovisual, conferencing, presentation and multimedia control systems including installation services decreased by 25.6% from approximately HK\$69,302,000 for the six months ended 30 September 2015 to approximately HK\$51,571,000 for the six months ended 30 September 2016, because fewer sizeable projects were completed during the six months ended 30 September 2016.

Revenue generated from audiovisual system maintenance services increased by 11.4% from approximately HK\$6,171,000 for the six months ended 30 September 2015 to approximately HK\$6,877,000 for the six months ended 30 September 2016. The increase was primarily attributable to the increase in number of maintenance projects after 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 the revenue for the Period minus cost of inventories sold for the Period. Gross operating margin ratio is calculated based on the gross operating margin for the Period divided by revenue for the Period multiplied by 100%.

Gross operating margin decreased by 25.9% from approximately HK\$33,280,000 for the six months ended 30 September 2015 to approximately HK\$24,655,000 for the six months ended 30 September 2016. The decrease was in line with the decrease in revenue.

The gross operating margin ratio decreased from approximately 44.1% for the six months ended 30 September 2015 to 42.2% for the six months ended 30 September 2016, primarily because fewer projects with higher gross operating margin were secured during the six months ended 30 September 2016.

Staff cost

Staff cost increased from approximately HK\$12,204,000 for the six months ended 30 September 2015 to approximately HK\$13,043,000 for the six months ended 30 September 2016, it was mainly due to (i) increase in directors' remuneration after the Listing; (ii) general increment in salaries level offset by; (iii) decrease in staff commission resulted from the decrease in revenue.

Other operating expenses

Other operating expenses mainly comprise of listing expenses, rental expenses, building management fee, carriage cost and promotion fee. Other operating expenses decreased from approximately HK\$9,272,000 for the six months ended 30 September 2015 to approximately HK\$3,107,000 for the six months ended 30 September 2016 mainly because the listing expenses of approximately HK\$4,800,000 and other promotion expenses right after the Listing charged during the six months ended 30 September 2015 were not incurred for the six months ended 30 September 2016.

Income tax expenses

Income tax expenses decreased from approximately HK\$2,814,000 for the six months ended 30 September 2015 to approximately HK\$1,304,000 for the six months ended 30 September 2016, which was mainly due to decrease in assessable profit in Hong Kong for tax purpose, after excluding the non-deductible expenses such as listing expense.

Profit for the period

Profit for the period decreased from approximately HK\$7,491,000 for the six months ended 30 September 2015 to approximately HK\$5,716,000 for the six months ended 30 September 2016, which was mainly due to (i) increase in staff cost; (ii) decrease in revenue offset by (iii) decrease in Listing expenses for the Listing.

OTHER INFORMATION

PROSPECTS

The Company was listed on GEM on 27 May 2015 which enhanced the Group's reputation, strengthened the corporate governance and compliance management, as well as established a good foundation for our further expansion.

The Group will continue to maintain and strengthen 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.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's operation and investments were financed principally by cash generated from its own business operations and bank borrowings. As at 30 September 2016, the Group had net current assets of approximately HK\$16,385,000 (31 March 2016: HK\$17,348,000) and had cash and cash equivalents of approximately HK\$47,114,000 (31 March 2016: HK\$57,036,000). Current assets of the Group as at 30 September 2016 included carrying amount of approximately HK\$46,890,000 (31 March 2016: HK\$49,101,000) bank borrowings that were not repayable within one year from the end of the reporting period but contains a repayment on demand clause. The Directors are satisfied that the Group will have sufficient financial resources to meet its obligations as they fall due in the foreseeable future.

GEARING RATIO

As at 30 September 2016, the gearing ratio (calculated on the basis of total borrowings divided by total assets at the end of the reporting period) of the Group was approximately 26.4% (31 March 2016: 27.7%).

FOREIGN CURRENCY RISK

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

CAPITAL COMMITMENT

As at 30 September 2016, the Group did not have any significant capital commitments (31 March 2016: nil).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (six months ended 30 September 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 debt or convertible securities or through the redemption of borrowings.

CHARGE ON THE GROUP'S ASSETS

As at 30 September 2016, land and buildings and an investment property of approximately HK\$85,100,000 and HK\$9,563,000 respectively (31 March 2016: HK\$86,305,000 and HK\$9,638,000 respectively) of the Group were pledged to secure bank borrowings facilities granted to the Group.

CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 30 September 2016 (31 March 2016: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2016, the Group employed 76 (31 March 2016: 70) full time employees. The remuneration policy of the Group to reward its employees and executives is based on both individual's and the Group's performance, qualification, working experience, competence displayed and selected market comparables. The Group regards quality staff as one of the key factors to corporate success.

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 underwriting fees and other expenses, amounted to approximately HK\$66.3 million. The Group intends to apply such net proceeds as follows:

	Planned use of proceeds as stated in the prospectus of the Company dated 14 May 2015 ("Prospectus") during the period from Listing HK\$'million	Actual use of proceeds during the period from Listing 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	1.9
To acquire a 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	1.0
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	1.5
For working capital and other general corporate purposes	6.0	6.0

Other Information

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 proceeds were applied in accordance with the actual development of the market.

As at 30 September 2016, approximately HK\$43.1 million out of the net proceeds from the Listing has been used. The unused net proceeds 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 plans against the changing market condition to attain sustainable business growth of the Group. In the event that the Director consider it 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 provision of the GEM Listing Rules

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

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

The share option scheme of the Company (the "**Share Option Scheme**") was adopted under the written resolutions of the shareholders of the Company passed on 11 May 2015. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group.

No share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the Period and there were no outstanding share options under the Share Option Scheme as at 30 September 2016 and up to the date of this report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

DISCLOSURE OF INTEREST

(a) Interests and short position of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or the associated corporations

As at 30 September 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) (i) 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 were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required as otherwise to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to Rule 5.46 of the GEM Listing Rules, were as follows:

(i) Interests in the Company

Name	Capacity/Nature of interest	Number of shares (Note 1)	Approximate percentage of issued shares
Dr. Wong King Keung (“ Dr. Wong ”)	Beneficial owner Interest of controlled corporation (Note 2)	92,640,000 510,000,000	9.26% 51.00%
Mr. Tong Sai Wong (“ Mr. Tong ”)	Beneficial owner	47,520,000	4.75%
Mr. Chan Wing Yiu (“ Mr. WY Chan ”)	Beneficial owner	47,520,000	4.75%
Mr. Chan Wing Lun (“ Mr. WL Chan ”)	Beneficial owner	47,520,000	4.75%
Mr. Lin Wing Ching (“ Mr. Lin ”)	Beneficial owner	4,800,000	0.49%

Notes:

- (1) All interest stated are long positions.
- (2) These 510,000,000 shares of the Company were, and (as the case may be) will be, held by Newmark Group, which is owned as to 38.6% by Dr. Wong. Pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, Dr. Wong is deemed to have an interest in all shares of the Company in which Newmark Group has, or deemed to have, an interest.

(ii) *Interests in associated corporation(s) of the Company*

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of shares	Percentage of shareholding
Dr. Wong	Newmark Group	Beneficial interests	386	38.60%
Mr. Tong	Newmark Group	Beneficial interests	198	19.80%
Mr. WY Chan	Newmark Group	Beneficial interests	198	19.80%
Mr. WL Chan	Newmark Group	Beneficial interests	198	19.80%
Mr. Lin	Newmark Group	Beneficial interests	20	2.00%

Save as disclosed above, as at 30 September 2016, none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or (iii) which were otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to Rule 5.46 of the GEM Listing Rules.

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

As at 30 September 2016, so far as is known to the Directors or chief executives of the Company, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under 336 of the SFO, were as follows:

Name	Capacity/Nature of interest	Number of shares (Note 1)	Approximate percentage of issued shares
Newmark Group	Beneficial owner	510,000,000	51.00%
Wong Lau Sau Yee Angeli (Note 2)	Interest of spouse	602,640,000	60.25%

Notes:

- (1) All interests stated are long positions.
- (2) Ms. Wong Lau Sau Yee Angeli is the spouse of Dr. Wong. By virtue of the SFO, Ms. Wong Lau Sau Yee Angeli is deemed to be interested in the entire 602,640,000 shares of the Company in which Dr. Wong is deemed to be interested.

Save as disclosed above, as at 30 September 2016, the Directors and chief executive are not aware of any other person, not being a Director or chief executive of the Company, who had, or were deemed or taken to have an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the Period was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 September 2016, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Central China International Capital Limited ("**Central China**"), neither Central China nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser agreement entered into between the Company and Central China in May 2015) as at 30 September 2016 and the date of this report.

CORPORATE GOVERNANCE PRACTICES

The Company maintains a high standard of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "CG Code"). To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the Period and up to the date of this report.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of the Director is as follows:

- Mr. Lum Pak Sum, the independent non-executive Director, has been appointed as an independent non-executive director of Kwan On Holdings Limited (Stock code: 1559) with effect from 26 August 2016.

REVIEW OF RESULTS

The Board has established an audit committee (the "Audit Committee") on 11 May 2015, which operates under terms of reference approved by the Board. 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 with the management the unaudited consolidated results of the Group for the Period and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board

Tong Sai Wong

Chairman

Hong Kong, 14 November 2016

As at the date of this report, 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.