# 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 2017

**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 2017, together with the comparative figures for the year ended 31 March 2016:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the Year Ended 31 March 2017*

| | *Notes* | **2017** **HK$'000** | 2016 HK$'000 |
|---|---|---|---|
| Revenue | *4* | **138,113** | 141,922 |
| Cost of inventories sold | | **(77,011)** | (79,713) |
| Staff cost | | **(26,953)** | (29,660) |
| Depreciation | | **(3,216)** | (2,789) |
| Other income and gain | *4* | **903** | 778 |
| Other operating expenses | | **(7,205)** | (13,997) |
| Finance costs | *6* | **(1,159)** | (1,297) |
| Profit before taxation | | **23,472** | 15,244 |
| Income tax expense | *7* | **(4,266)** | (3,254) |
| Profit for the year | *8* | **19,206** | 11,990 |
| Attributable to: | | | |
| Owners of the Company | | **19,206** | 11,786 |
| Non-controlling interests | | **–** | 204 |
| | | **19,206** | 11,990 |
| Profit for the year | | **19,206** | 11,990 |
| Other comprehensive (expense) income | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translating a foreign operation | | **(100)** | 85 |
| Total comprehensive income for the year | | **19,106** | 12,075 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **19,106** | 11,871 |
| Non-controlling interests | | **–** | 204 |
| | | **19,106** | 12,075 |
| Earnings per share | | | |
| Basic and diluted | *9* | **HK1.92 cents** | HK1.22 cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2017*

| | *Notes* | **2017** **HK$'000** | 2016 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | | **86,052** | 88,313 |
| Investment properties | | **11,060** | 9,638 |
| Deferred tax assets | | **175** | 184 |
| | | **97,287** | 98,135 |
| **Current assets** | | | |
| Inventories | | **10,121** | 6,227 |
| Trade receivables | *11* | **27,194** | 30,919 |
| Prepayments, deposits and other receivables | | **1,638** | 1,212 |
| Bank balances and cash | | **54,052** | 57,036 |
| | | **93,005** | 95,394 |
| **Current liabilities** | | | |
| Trade payables | *12* | **9,165** | 8,207 |
| Other payables and accruals | | **7,303** | 15,410 |
| Bank borrowings | *13* | **44,101** | 53,522 |
| Tax payables | | **930** | 907 |
| | | **61,499** | 78,046 |
| **Net current asset** | | **31,506** | 17,348 |
| **Total assets less current liabilities** | | **128,793** | 115,483 |
| **Non-current liability** | | | |
| Deferred tax liabilities | | **642** | 438 |
| **Net assets** | | **128,151** | 115,045 |
| **Capital and reserves** | | | |
| Share capital | *14* | **10,000** | 10,000 |
| Reserves | | **118,151** | 105,045 |
| **Total equity** | | **128,151** | 115,045 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the Year Ended 31 March 2017*

| | Attributable to the owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** HK$'000 | **Share premium** HK$'000 | **Merger reserve** HK$'000 | **Translation reserve** HK$'000 | **Retained profits** HK$'000 | **Subtotal** HK$'000 | **Non-controlling interests** HK$'000 | **Total** HK$'000 |
| As 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) |
| As at 31 March 2016 and 1 April 2016 | 10,000 | 71,344 | 10,817 | (22) | 22,906 | 115,045 | – | 115,045 |
| Profit and other comprehensive income for the year | – | – | – | (100) | 19,206 | 19,106 | – | 19,106 |
| Dividend paid *(note 10)* | – | (6,000) | – | – | – | (6,000) | – | (6,000) |
| At 31 March 2017 | 10,000 | 65,344 | 10,817 | (122) | 42,112 | 128,151 | – | 128,151 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the Year Ended 31 March 2017*

## 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 Company's shares have been listed on the GEM since 27 May 2015.

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 successful listing of the Company on GEM on 27 May 2015, 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 (the "**HK$**"), which is the Company's functional and presentation currency. Other than the subsidiary established in the People's Republic of China (the "**PRC**") and Singapore whose functional currency is Renminbi and Singapore dollar respectively, the functional currency of the Company and other subsidiaries is HK$.

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 2016.

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 year ended 31 March 2016.

## 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[3] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2] |
| Amendments to HKAS 7 | Disclosure Initiative[1] |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses[1] |
| Amendments to HKAS 40 | Transfers of Investment Property[2] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2014–2016 Cycle[5] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| HK (IFRIC) – Int 22 | Foreign Currency Transactions and Advance Consideration[3] |

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective date not yet been determined.
5 Effective for annual periods beginning on or after 1 January 2017 or after 1 January 2018, as appropriate.

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.

### HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("**FVTOCI**") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss ("**FVTPL**"), HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have an impact on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures. For instance, the Group will be required to replace the incurred loss impairment model in HKAS 39 with an expected loss impairment model that will apply to various exposures to credit risk. HKFRS 9 will also change the way the Group classifies and measures its financial assets, and will require the Group to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. It is not practicable to provide a reasonable estimate of the effect of HKFRS 9 (2014) until a detailed review has been completed.

### HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

Step 1: Identify the contract with the customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations; and

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. More disclosures relating to revenue are also required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until a detail review is completed.

### HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related Interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16.

As at 31 March 2017, the Company has non-cancellable operating lease commitments of HK$339,000 (2016: HK$760,000) as disclosed in note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Company will recognise a right-of-use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the effect until a detail review is completed.

## 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 have 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:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Revenue** | | |
| Service income | | |
| Solution for audiovisual, conferencing, presentation and multimedia control systems including installation services *(note a)* | **124,253** | 129,566 |
| Audiovisual system maintenance services | **13,860** | 12,356 |
| | **138,113** | 141,922 |
| **Other income and gain** | | |
| Bank interest income | **79** | 67 |
| Exchange gain | **95** | 82 |
| Net gain on write-off of property and equipment *(note b)* | **27** | – |
| Rental income | **548** | – |
| Written off of other payable | **–** | 475 |
| Sundry income | **154** | 154 |
| | **903** | 778 |

*Notes:*

(a) Included in this service income, revenue of approximately HK$12,239,000 (2016: HK$15,074,000) 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).

(b) The amount included a compensation of approximately HK$473,000 received from insurance claim for write-off of property and equipment.

## 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 and maintenance service. 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 (place of domicile), the PRC and Singapore. The Group's customers are mainly located in Hong Kong, the PRC, Macau 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 | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Hong Kong (place of domicile) | **116,644** | 131,906 |
| PRC | **14,111** | 4,229 |
| Singapore | **737** | 121 |
| Macau | **6,621** | 5,666 |
| | **138,113** | 141,922 |

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

| | Non-current assets | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Hong Kong | **97,048** | 97,843 |
| The PRC | **64** | 108 |
| | **97,112** | 97,951 |

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

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest expenses on bank borrowings | **1,159** | 1,297 |

## 7. INCOME TAX EXPENSE

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current tax: | | |
| – Hong Kong Profit Tax | **3,496** | 3,383 |
| – PRC Enterprise Income Tax | **225** | – |
| – Singapore Corporate Tax | **49** | – |
| | **3,770** | 3,383 |
| Under (over) provision in prior year | | |
| – Hong Kong | **283** | (329) |
| | **4,053** | 3,054 |
| Deferred taxation | **213** | 200 |
| Total income tax expense for the year | **4,266** | 3,254 |

i) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 March 2017 (2016: 16.5%).

ii) Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, PRC Enterprises Income Tax is calculated at 25% of the estimated assessable profit for the year ended 31 March 2017 while the Company did not have any assessable profit arising in the PRC for the year ended 31 March 2016.

iii) Singapore Corporate Tax is calculated at the rate of 17% on the estimated assessable profit for the year ended 31 March 2017 (2016: 17%).

iv) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("**BVI**"), the Group is not subject to any income tax in the Cayman Islands and BVI.

## 8. PROFIT FOR THE YEAR

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit for the year has been arrived at after charging (crediting): | | |
| Directors' emoluments | **5,248** | 8,559 |
| Salaries and allowances (excluding directors' emoluments) | **20,705** | 20,192 |
| Retirement benefit scheme contributions (excluding directors' emoluments) | **1,000** | 909 |
| Total staff costs | **26,953** | 29,660 |
| Cost of inventories sold | **77,011** | 79,713 |
| Reversal of provision on inventories included in cost of inventories sold | **(63)** | (51) |
| Provision on inventories included in cost of inventories sold | **87** | – |
| Depreciation | **3,216** | 2,789 |
| Operating lease rentals in respect of rented premises | **609** | 778 |
| Loss on disposal of property and equipment | **–** | 3 |
| Listing expenses | **–** | 5,533 |
| Auditor's remuneration | **640** | 675 |

## 9. EARNINGS PER SHARE

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Earnings | | |
| Earnings for the purpose of basic and diluted earnings per share | **19,206** | 11,786 |

| | **2017** | 2016 |
|---|---|---|
| | **'000** | '000 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | **1,000,000** | 962,432 |

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 2017 and 2016.

The weighted average number of ordinary shares in issue during the year ended 31 March 2016 has 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 year ended 31 March 2016.

## 10. DIVIDEND

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Dividend recognised as distribution during the year 2016 | | |
| Final – HK0.6 cents per share (2016: 2015 Final dividend – Nil) | **6,000** | – |

Subsequent to the end of the reporting period, a final dividend of HK1.0 cent per share in respect of the year ended 31 March 2017 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

## 11. TRADE RECEIVABLES

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables | **27,194** | 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.

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.

| | 2017 | 2016 |
|---|---|---|
| | HK$'000 | HK$'000 |
| 0–30 days | 9,742 | 13,211 |
| 31–60 days | 6,073 | 7,536 |
| 61–120 days | 5,557 | 5,767 |
| 121–365 days | 5,096 | 3,215 |
| Over 365 days | 726 | 1,190 |
| | 27,194 | 30,919 |

## 12. TRADE PAYABLES

| | 2017 | 2016 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Trade payables | 9,165 | 8,207 |

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

| | 2017 | 2016 |
|---|---|---|
| | HK$'000 | HK$'000 |
| 0 to 60 days | 5,248 | 4,111 |
| 61 to 90 days | 378 | 1,316 |
| Over 90 days | 3,539 | 2,780 |
| | 9,165 | 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.

## 13. BANK BORROWINGS

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Secured mortgage loans | **44,101** | 53,522 |
| Carrying amount repayable (based on scheduled repayment dates set out in the loan agreement): | | |
| 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 | **30,040** | 13,263 |
| After five years | **5,219** | 31,417 |
| | **44,101** | 53,522 |
| 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) | **39,680** | 49,101 |
| Carrying amount repayable within one year | **4,421** | 4,421 |
| Amounts shown under current liabilities | **44,101** | 53,522 |
| Amount shown under non-current liabilities | **–** | – |
| | **44,101** | 53,522 |

## 14. SHARE CAPITAL

| Ordinary shares of HK$0.01 each | **Number of share 2017** | **Share capital 2017 HK$** | Number of share 2016 | Share capital 2016 HK$ |
|---|---|---|---|---|
| **Authorised** | | | | |
| As at 1 April | **2,000,000,000** | **20,000,000** | 38,000,000 | 380,000 |
| Increase in authorised share capital *(Note a)* | **–** | **–** | 1,962,000,000 | 19,620,000 |
| As at 31 March | **2,000,000,000** | **20,000,000** | 2,000,000,000 | 20,000,000 |
| **Issued and fully paid** | | | | |
| As at 1 April | **1,000,000,000** | **10,000,000** | 750,000 | 7,500 |
| Issued and allotted on 11 May 2015 *(Note b)* | **–** | **–** | 750,000 | 7,500 |
| Issued by captialisation of share premium account on 11 May 2015 *(Note c)* | **–** | **–** | 748,500,000 | 7,485,000 |
| Issued and allotted during the period *(Note d)* | **–** | **–** | 250,000,000 | 2,500,000 |
| As at 31 March | **1,000,000,000** | **10,000,000** | 1,000,000,000 | 10,000,000 |
| | | **HK$'000** | | HK$'000 |
| Shown in consolidated financial statements | | **10,000** | | 10,000 |

*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.

All shares issued rank pari passu in all respects with all shares then in issue.

## 15. OPERATING LEASE COMMITMENT

### The Group as lessor

Property rental income earned during the year ended 31 March 2017 was HK$548,000 (2016: nil). The properties are expected to generate rental yields of 4.8% on an ongoing basis and have committed tenants for the next 1.75 years. All of the properties held have committed tenants for the next 1.75 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:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **521** | 510 |
| After one year but within five years | **411** | 879 |
| | **932** | 1,389 |

### The Group as lessee

The Group leases certain of its warehouses and offices under operating lease arrangements. Lease is negotiated for an average term of one to three years (2016: one to three years).

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

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **242** | 425 |
| In the second to fifth year inclusive | **97** | 335 |
| | **339** | 760 |

## 16. PLEDGE OF ASSETS

At 31 March 2017, investment property and land and building of approximately HK$9,414,000 and HK$83,896,000 (2016: HK$9,638,000 and HK$86,305,000) of the Group were pledged to secure banking borrowings facilities granted to the Group, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the year, 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 slightly decreased by approximately 2.7% from approximately HK$141,922,000 for the year ended 31 March 2016 to approximately HK$138,113,000 for the year ended 31 March 2017.

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 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.

## FINANCIAL REVIEW

### Segment analysis

| | **Year ended 31 March 2017** | | Year ended 31 March 2016 | |
|---|---|---|---|---|
| | **HK$'000** | **%** | HK$'000 | % |
| Solution of audiovisual, conferencing, presentation and multimedia control systems including installation services | **124,253** | **90.0** | 129,566 | 91.3 |
| Audiovisual system maintenance services | **13,860** | **10.0** | 12,356 | 8.7 |
| Total | **138,113** | **100.0** | 141,922 | 100.0 |

### Revenue

The Group's revenue slightly decreased by 2.7% from approximately HK$141,922,000 for the year ended 31 March 2016 to approximately HK$138,113,000 for the year ended 31 March 2017.

Revenue generated from solution of audiovisual, conferencing, presentation and multimedia control systems including installation services decreased by approximately 4.1% from approximately HK$129,566,000 for the year ended 31 March 2016 to approximately HK$124,253,000 for the year ended 31 March 2017, which was primarily attributable to the completion of a one-off sizable project during the year ended 31 March 2016.

Revenue generated from audiovisual system maintenance services increased by approximately 12.2% from approximately HK$12,356,000 for the year ended 31 March 2016 to approximately HK$13,860,000 for the year ended 31 March 2017, which was primarily attributable to the increase in total maintenance projects after the completion of related 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 decreased by 1.8% from approximately HK$62,209,000 for the year ended 31 March 2016 to approximately HK$61,102,000 for the year ended 31 March 2017, which was in line with the decrease in revenue during the year ended 31 March 2017.

The gross operating margin ratio remained stable at approximately 43.8% for the year ended 31 March 2016 and 44.2% for the year ended 31 March 2017.

### Staff cost

Staff cost decreased by approximately 9.1% from approximately HK$29,660,000 for the year ended 31 March 2016 to approximately HK$26,953,000 for the year ended 31 March 2017 mainly due to (i) the decrease in sales commission and bonus paid to staff which was in line with the decrease in revenue; and (ii) the decrease in directors' discretionary bonus for the year ended 31 March 2017 compared with the year ended 31 March 2016; which were net off with the effect of (iii) a general increase in staff salary level; and (iv) increase in the number of staff during the year ended 31 March 2017.

### Depreciation

Depreciation expenses increased from approximately HK$2,789,000 for the year ended 31 March 2016 to approximately HK$3,216,000 for the year ended 31 March 2017 which was primarily due to the additional depreciation of the new properties acquired by the Group as warehouse and service centre in September 2015, regarding which half year depreciation expenses were incurred during the year ended 31 March 2016, while whole year depreciation expenses were incurred during the year ended 31 March 2017.

### Other operating expenses

Other operating expenses decreased from approximately HK$13,997,000 for the year ended 31 March 2016 to approximately HK$7,205,000 for the year ended 31 March 2017. The decrease was mainly attributable to (i) decrease in listing related expenses by approximately HK$5,533,000; and (ii) decrease in marketing and promotion expenses by approximately HK$800,000.

### Income tax expense

Income tax expense increased from approximately HK$3,254,000 for the year ended 31 March 2016 to approximately HK$4,266,000 for the year ended 31 March 2017, which was mainly due to increase in profit before taxation after excluding non-deductible listing expenses.

### Profit for the year

Profit for the year increased from approximately HK$11,990,000 for the year ended 31 March 2016 to approximately HK$19,206,000 for the year ended 31 March 2017, which was mainly due to (i) decrease in staff cost; (ii) decrease in other operating expenses such as listing expenses and marketing and promotion, as mentioned above; which were partially offset by (iii) decrease in revenue and gross operating margin; and (iv) increase in income tax expenses.

## DIVIDEND

The Board has proposed a payment of final cash dividend of HK1.0 cent per share for the year ended 31 March 2017 amounted to HK$10,000,000 (2016: HK0.6 cents per share amounted to HK$6,000,000) out of the share premium account.

The proposed final cash dividend will be payable to shareholders whose name appear on the register of members of the Company on 21 August 2017, and are expected to be paid on or about 12 September 2017.

## 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 2017, the Group had net current assets of approximately HK$31,506,000 (2016: HK$17,348,000) and had cash and cash equivalents of approximately HK$54,052,000 as at 31 March 2017 (2016: HK$57,036,000). Current liabilities of the Group included carrying amount of approximately HK$39,680,000 (2016: HK$49,101,000) 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 2017, the gearing ratio (calculated on the basis of total debt divided by total assets) of the Group was approximately 23.2% (2016: 27.7%).

## 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 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 2017, the Group did not have material capital commitments.

## 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 2017, land and buildings and an investment property of approximately HK$83,896,000 and HK$9,414,000 (2016: HK$86,305,000 and HK$9,638,000) respectively were pledged to secure bank borrowings facilities granted to the Group.

## CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 31 March 2017 and 31 March 2016.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Group has been setting up system and allocating resources to ensure ongoing compliance with rules and regulations. During the year, the Group has complied, to the best of our knowledge, with the Securities and Futures Ordinance (the "**SFO**"), the GEM Listing Rules, the applicable employment ordinance both in the PRC and Hong Kong, the local standards and regulations for our project works as well as other relevant rules and regulations.

During the year ended 31 March 2017, the Group was not aware of any non-compliance with any relevant laws and regulations that has a significant impact on it.

## ENVIRONMENT POLICY

Our Group is committed to maintain an environmental-friendly corporation by minimizing environmental impact with electricity saving and resources recycling. During the year, to the best of the Directors' knowledge, the Group had not experienced any material environmental incidents arising from its operation. During the year, no material administrative sanctions or penalties were imposed upon the Group operation for the violation of environmental laws or regulations which had an adverse impact on its operations.

## MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 March 2017, the Group had no material acquisitions and disposals.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group employed 73 (2016: 70) 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.

## COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing to 31 March 2017 (the "**Period**") is set out below:

| Business objectives for the Period | Actual business progress for the Period |
|---|---|
| To recruit approximately five senior and experienced sales staff to expand our video conferencing and multimedia audiovisual solution business in Hong Kong | A new sales team has been established in late 2016. The Group is continuing its search for suitable senior experienced sales staff to expand the Group's business |
| To acquire a warehouse in Hong Kong | New premises were acquired in Kowloon Bay by the Group in August 2015 and the Group is now using the new premises as warehouse and service center |
| To set up new regional office with showrooms and recruit approximately 15 new staff in Beijing, Shanghai and Singapore | New office with showroom had been set up in Shanghai in July 2015 |
| To carry out marketing and promotion activities on both traditional and new media platforms to improve public awareness of our Group and further strengthen our position in Hong Kong, the PRC and Singapore | The Group is continuing to carry out marketing and promotion activities such as exhibition and seminars to introduce new products to potential customers |

## 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 (the "**Placing**"), after deducting the underwriting fees and other expenses, amounted to approximately HK$66.3 million. On 30 March 2017, the Board resolved to implement a partial reallocation and change in use of net proceeds from the Placing to enhance the effectiveness of the Group's business operation. For details, please refer to the Company's announcement dated 30 March 2017.

The following table sets forth the status of the use of proceeds from the Placing:

| | Planned use of proceeds as stated in the Prospectus during the Period HK$' million | Change in use of proceeds resolved on 30 March 2017 HK$' million | Planned use of proceeds subsequent to the change HK$' million | Actual use of proceeds during the Period HK$' million |
|---|---|---|---|---|
| To recruit experienced sales staff to expand the video conferencing and multimedia audiovisual solution business in Hong Kong | 11.5 | 4.4 | 15.9 | 3.4 |
| To acquire a new warehouse in Hong Kong | 32.7 | 5.0 | 37.7 | 37.7 |
| To set up new regional offices with showrooms in Beijing, Shanghai and Singapore | 13.7 | (11.4) | 2.3 | 1.3 |
| 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 | – | 2.4 | 1.6 |
| To upgrade the computer system and other office facilities | – | 2.0 | 2.0 | – |
| For working capital and other general corporate purposes | 6.0 | – | 6.0 | 6.0 |
| TOTAL | 66.3 | – | 66.3 | 50.0 |

The unused net proceeds from the Placing amounting to approximately HK$16.3 million were deposited in licensed banks in Hong Kong.

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 it necessary to further change the use of net proceeds from the Placing, 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 year ended 31 March 2017, 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 year ended 31 March 2017, 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 year ended 31 March 2017.

## 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 2017 to 21 August 2017, 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, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 15 August 2017.

## 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 2017 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 2017. 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 appropriate and effective risk management and internal control systems exist 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 risk management and internal control 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 2017.

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

Hong Kong, 23 June 2017

*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.*