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i-CONTROL HOLDINGS LIMITED

超智能控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8355)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

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

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

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 referred 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.*

This announcement will remain on the “Latest Company Announcements” page of the website of GEM at www.hkgem.com for a minimum period of 7 days from the date of publication and on the website of the Company at www.i-controlholdings.com.

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Group for the nine months ended 31 December 2018 (the “**Period**”), together with the comparative unaudited figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2018

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	50,517	42,723	132,684	104,463
Cost of inventories sold		(28,227)	(25,454)	(78,805)	(62,358)
Staff cost		(7,491)	(7,868)	(23,893)	(21,398)
Depreciation		(810)	(814)	(2,441)	(2,442)
Other income and gain, net	3	145	58	367	299
Other operating expenses		(1,412)	(2,125)	(5,260)	(5,232)
Finance costs		(280)	(221)	(831)	(650)
Profit before taxation		12,442	6,299	21,821	12,682
Income tax expenses	5	(1,861)	(1,181)	(3,767)	(2,386)
Profit for the period		10,581	5,118	18,054	10,296
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translating foreign operations		(1)	2	(14)	(16)
Total comprehensive income for the period		10,580	5,120	18,040	10,280
Earnings per share					
Basic and diluted	7	HK1.06 cents	HK0.51 cents	HK1.80 cents	HK1.03 cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2018

	Attributable to the owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	
At 1 April 2017 (audited)	10,000	65,344	10,817	(122)	42,112	128,151
Profit and total comprehensive income for the period	-	-	-	(16)	10,296	10,280
2017 final dividend paid	-	(10,000)	-	-	-	(10,000)
At 31 December 2017 (unaudited)	<u>10,000</u>	<u>55,344</u>	<u>10,817</u>	<u>(138)</u>	<u>52,408</u>	<u>128,431</u>
At 1 April 2018 (audited)	10,000	55,344	10,817	148	59,021	135,330
Profit and total comprehensive income for the period	-	-	-	(14)	18,054	18,040
2018 final dividend paid	-	(8,000)	-	-	-	(8,000)
At 31 December 2018 (unaudited)	<u>10,000</u>	<u>47,344</u>	<u>10,817</u>	<u>134</u>	<u>77,075</u>	<u>145,370</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

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 its principal place of business is at Units A&B, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. The Company is engaged in investment holding while its principal subsidiaries are principally engaged in provision of multimedia audio-visual solutions and related system integration services.

The Directors consider that the Company's immediate and ultimate holding company is Phoenix Time Holdings Limited, which is incorporated in the British Virgin Islands (the "BVI").

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

2. SIGNIFICANT ACCOUNTING POLICIES

The Company's unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 financial statements for the year ended 31 March 2018, except for the adoption of the new or revised standards, amendments to standards and interpretations of HKFRSs which are effective for annual period beginning on 1 April 2018. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impacts on the condensed consolidated financial statements and does not result in substantial changes to the Group's accounting policies.

3. REVENUE AND OTHER INCOME AND GAIN, NET

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 services income. Analysis of the Group's revenue and other income and gain, net is as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
Revenue				
Services income				
Solutions for audiovisual, conferecing, presentation and multimedia control systems, including installation services	47,873	38,997	122,603	94,060
Audiovisual system maintenance services	2,644	3,726	10,081	10,403
	<u>50,517</u>	<u>42,723</u>	<u>132,684</u>	<u>104,463</u>
Other income and gain, net				
Bank interest income	15	1	19	8
Exchange gain (loss)	19	(71)	(35)	(104)
Gross rental income from investment properties	111	128	383	394
Sundry income	–	–	–	1
	<u>145</u>	<u>58</u>	<u>367</u>	<u>299</u>

4. SEGMENT INFORMATION

The Directors consider that there is only one operating and reportable business segment for the Group, being the provision of video conferencing and multimedia audiovisual solutions, and maintenance services. This operating segment is reported in a manner consistent with the information reported to the Board, being the chief operating decision maker, for the purposes 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			
	Three months ended		Nine months ended	
	31 December		31 December	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong (place of domicile)	48,653	38,675	128,710	94,455
The PRC (other than Hong Kong and Macau)	1,327	3,956	3,041	9,645
Macau	481	92	802	363
Singapore	–	–	75	–
	50,461	42,723	132,628	104,463

5. INCOME TAX EXPENSES

	Three months ended		Nine months ended	
	31 December		31 December	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax:				
– Hong Kong Profits Tax	1,861	1,086	3,627	1,929
– PRC Enterprise Income Tax	–	95	108	427
Deferred taxation	–	–	32	30
Total income tax expenses for the period	1,861	1,181	3,767	2,386

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the Period.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, PRC Enterprise Income Tax is calculated at 25% (2017: 25%) of the estimated assessable profits for the Period.

Singapore Corporate Tax is calculated at the rate of 17% (2017: 17%) on the estimated assessable profits for the Period. No provision for Singapore Corporate Tax has been made in the condensed consolidated financial statements as the Singapore subsidiary was in a loss-making position for the Period and the nine months ended 31 December 2017.

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 nine months ended 31 December 2018 (2017: nil).

The payment of a final dividend of HK0.8 cents per share amounted to HK\$8,000,000 for the year ended 31 March 2018 (2017: HK1.0 cents per share amounted to HK\$10,000,000) has been resolved and declared at the annual general meeting of the Company held on 8 August 2018. The date of payment was 12 September 2018.

7. EARNINGS PER SHARE

	Three months ended		Nine months ended	
	31 December		31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings				
Earnings for the purpose of				
basic and diluted earnings per share	<u>10,581</u>	<u>5,118</u>	<u>18,054</u>	<u>10,296</u>
	Three months ended		Nine months ended	
	31 December		31 December	
	2018	2017	2018	2017
	'000	'000	'000	'000
Number of shares				
Weighted average number				
of ordinary shares for				
the purpose of basic and				
diluted earnings per share	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the three months and nine months ended 31 December 2018 and 2017.

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 solutions, mainly in Hong Kong, and other geographical locations, such as the PRC, Macau and Singapore. The Group's services can be divided into two lines, namely the provision of (i) solutions for audiovisual, conferencing, presentation and multimedia control systems, including installation services; and (ii) audiovisual system maintenance services.

The Group continued to maintain and strengthen its position as one of the leading services providers of video conferencing and multimedia audiovisual solutions in Hong Kong and continued to expand its market share in the video conferencing and multimedia audiovisual solutions industry in the PRC.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 27.0% from approximately HK\$104,463,000 for the nine months ended 31 December 2017 to approximately HK\$132,684,000 for the Period.

Revenue generated from solutions for audiovisual, conferencing, presentation and multimedia control systems, including installation services increased by 30.3% from approximately HK\$94,060,000 for the nine months ended 31 December 2017 to approximately HK\$122,603,000 for the Period due to completion of several sizable projects.

Revenue generated from audiovisual system maintenance services slightly decreased by 3.1% from approximately HK\$10,403,000 for the nine months ended 31 December 2017 to approximately HK\$10,081,000 for the Period.

Gross operating margin and gross operating margin ratio

Gross operating margin is calculated based on the revenue for the Period minus the 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 increased by 28.0% from approximately HK\$42,105,000 for the nine months ended 31 December 2017 to approximately HK\$53,879,000 for the Period mainly due to completion of several sizable projects.

Gross operating margin ratio remained stable at 40.6% for the Period (nine months ended 31 December 2017: 40.3%), primarily due to completion of a project with higher gross operating margin.

Staff cost

Staff cost increased by 11.7% from approximately HK\$21,398,000 for the nine months ended 31 December 2017 to approximately HK\$23,893,000 for the Period, mainly caused by increase in sales commission in relation to the increase in revenue.

Other operating expenses

Other operating expenses mainly comprise legal and professional fees, rental expenses, building management fee and other office expenses. Other operating expenses remained stable for the Period and the nine months ended 31 December 2017.

Income tax expenses

Income tax expenses increased by 57.9% from approximately HK\$2,386,000 for the nine months ended 31 December 2017 to approximately HK\$3,767,000 for the Period, which was mainly due to an increase in taxable profit in Hong Kong.

Profit for the period

Profit for the period increased by 75.3% from approximately HK\$10,296,000 for the nine months ended 31 December 2017 to approximately HK\$18,054,000 for the Period, which was mainly due to an increase in revenue.

OTHER INFORMATION

PROSPECTS

The Company's shares ("Shares") were listed on GEM on 27 May 2015 (the "Listing") which enhanced the Group's reputation, strengthened the Group's corporate governance and compliance management, as well as established a good foundation for its further expansion.

Going forward, the Group will continue to explore for business opportunities to further expand the Group's market share in the video conferencing and multimedia audiovisual solutions industry in Hong Kong and the PRC, in order to support the long-term development of the Group.

CHARGE ON THE GROUP'S ASSETS

As at 31 December 2018, land and buildings and investment properties totalling approximately HK\$79,681,000 and HK\$10,603,000 (31 March 2018: HK\$81,488,000 and HK\$9,192,000) respectively were pledged to secure banking facilities granted to the Group. During the Period, the usage of a car park was changed from self-use to being rent out to an independent third party. Therefore, the net carrying value of the investment properties as at 31 December 2018 had increased.

CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 31 December 2018 (31 March 2018: nil).

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 operations.

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

	Planned use of proceeds as stated in the Prospectus <i>HK\$' million</i>	Change in use of proceeds resolved on 30 March 2017 <i>HK\$' million</i>	Planned use of proceeds subsequent to the change <i>HK\$' million</i>	Actual use of proceeds from the date of Listing up to 31 December 2018 <i>HK\$' million</i>
To recruit experienced sales staff to expand the video conferencing and multimedia audiovisual solution business in Hong Kong	11.5	4.4	15.9	15.1
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	2.3
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	2.4
To upgrade the computer system and other office facilities	–	2.0	2.0	0.2
For working capital and other general corporate purposes	6.0	–	6.0	6.0
TOTAL	<u>66.3</u>	<u>–</u>	<u>66.3</u>	<u>63.7</u>

The unused net proceeds from the Placing amounting to approximately HK\$2.6 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 changing market conditions to attain sustainable business growth of the Group. In the event that the Directors 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 THE COMPANY'S LISTED SECURITIES

During the Period, none of the Company and its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CODE OF CONDUCT REGARDING 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 Rule 5.48 to 5.67 of the GEM Listing Rules. The Company, having made specific enquiries of all Directors, was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the Period.

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 announcement.

REVIEW OF RESULTS

The Company has established an audit committee (the "Audit Committee") in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Fong Chi, Mr. Lum Pak Sum and Mr. Mong Cheuk Wai. Mr. Lum Pak Sum is the chairman of the Audit Committee.

The Audit Committee has reviewed with the Company's management the unaudited condensed 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.

EVENT AFTER REPORTING PERIOD

The Board is not aware of any material event after the Period and up to the date of this announcement that requires disclosure.

By order of the Board
i-Control Holdings Limited
Zhong Naixiong
Chairman

Hong Kong, 31 January 2019

As at the date of this announcement, the executive Directors are Mr. Zhong Naixiong, Mr. Yau Wing Keung, Mr. Tong Sai Wong, Mr. Chan Wing Yiu and Mr. Chan Wing Lun; the non-executive Director is Dr. Wong King Keung; and the independent non-executive Directors are Mr. Fong Chi, Mr. Fung Chan Man Alex, Mr. Lum Pak Sum and Mr. Mong Cheuk Wai.